SPECIAL SAMI REPORT

Leading H&BA brands are dominant in drug stores

PRODUCT TRACKING

ALAN MILLER

In 15 of the 57 health and beauty aids categories tracked by Arbitron/SAMI, the dollar share of the top three brands in food stores topped 80%, during the 52 weeks ended July 13, 1990. In drug stores, the leading brand share level surpassed 80% in just five categories.

This special report on dominance also shows higher private label share penetration in H&BA categories in drug stores than in food stores. For all H&BAs combined, private labels account for just under 5% of total dollar volume in food stores, but 9.3% in drug stores. There are 19 H&BA categories in which the drug store dollar share exceeds 10%, but only seven in food stores. Obviously, private label strength in drug stores adversely affects the performance of the top three brands in many H&BA categories.

The top three brands accounted for all sales movement in food and drug outlets in the low-volume proprietary tranquilizer category. The dominant brand share among chest rubs exceeded 90% in both food and drug stores. But in the case of deodorant and talcum powders, the three leading brands accounted for 95.8% of food store volume—but was far lower in drug stores at 71.1%.

In three other categories, the top three brand share in food stores is 20 or more points higher than their achievement in drug stores: sleeping aids (+29.9%), nursing supplies (+22.2%) and pre-shave lotions (+21.3%). Two primary reasons: in general, leading brand dominance is higher in food stores, and greater space constraints in food stores. Drug stores often sell a greater variety of H&BAs.

Among baby needs, the top three brands' share was higher in food stores than drug stores in three out of four categories. Infant clothes was the sole category where leading brands had higher strength in food versus drug stores. This was also the category with a higher, albeit small, share penetration level for food stores vis-a-vis drug stores. In food stores, the highest share level for private labels among food stores was the 15.3% share for baby oils, creams and lotions. In drug stores, the top category of baby needs for store brands was the 20.2% penetration among baby powders.

Among seven oral hygiene categories tracked by SAMI, the top three brand share levels were higher in food stores in each. Except for dental aids where dental flosses are the most important product classes, private label share levels are higher in drug stores than food.

It is generally true that there are more brands and items of proprietary remedies in drug stores than food stores. In all fourteen H&BA proprietary remedy categories monitored by SAMI, the top three brands are more dominant in food stores than drug stores. There is only one product category where the private label dominance in food stores exceeds the level at drug: natural vitamins, minerals and supplements (34.8% vs. 32.7%).

In four categories of shaving needs, the top three brand share is higher in food stores than in drug. In each instance, the private label performance is stronger in drug stores than in food.

Health & beauty aids categories with highest domination of top three brands in food stores, compared with top three brand drug store dollar shares

(Year ending July 13, 1990)

Category	Food store top 3 brand share	Drug store top 3 brand share	Share dif. food vs. drug
Tranquilizers	100.0%	100.0%	—
Chest rubs	98.6	91.7	6.9%
Deodorant & talcum powder	95.8	71.7	24.7
Breath fresheners	95.5	89.3	6.2
Personal lubricants	94.6	74.7	19.9
Pre-shave lotions	93.9	72.6	21.3
Sleeping aids	91.2	67.9	23.3
Feminine douches/washes/powder	91.1	82.0	9.1
Feminine hygiene deodorants	89.2	69.9	19.3
Infant clothes	87.5	89.6	(2.1)
Appetite suppressants	87.3	74.9	12.4
Denture cleaners	86.6	73.3	13.3
Baby powders	83.0	73.9	9.1
Nursing supplies	82.4	60.2	22.2
Dental aids	81.2	66.9	14.3

Source: Arbitron/SAMI

Health & beauty aids categories with highest private label dollar share in drug stores, compared with food store private label penetration

(Year ending July 13, 1990)

Category	Drug store private label share	Food store private label share	Share dif. food vs. drug
Thermometers	38.8%	8.5%	30.3%
Nat. vitamins, minerals, supplements	32.7	34.8	(2.1)
Synthetic vitamins	31.3	28.6	2.7
First aid products	22.1	19.1	3.0
Baby powders	20.2	13.9	6.3
First aid antiseptics	20.0	10.5	9.5
Baby oils, creams, lotions	19.9	15.3	4.6
Sleeping aids	15.4	1.3	14.1
Internal analgesics	15.1	8.5	6.6
Dental aids	14.7	15.9	(1.2)
Cough remedies	13.5	5.5	8.0
Laxatives & stool softeners	13.5	6.3	7.2
Denture cleaners	12.7	3.4	9.3
Cold remedies	12.6	5.9	6.7
Toothbrushes	11.8	5.0	6.8
Feminine douches, washes, powders	11.6	4.8	6.8
Mouthwash	11.1	6.8	4.3
Personal lubricants	10.5	1.2	9.3
Deodorant & talcum powder	10.1	2.0	8.1

Source: Arbitron/SAMI

Dollar share comparison of top three H&BA brands and private label dollar share, food vs. drug stores

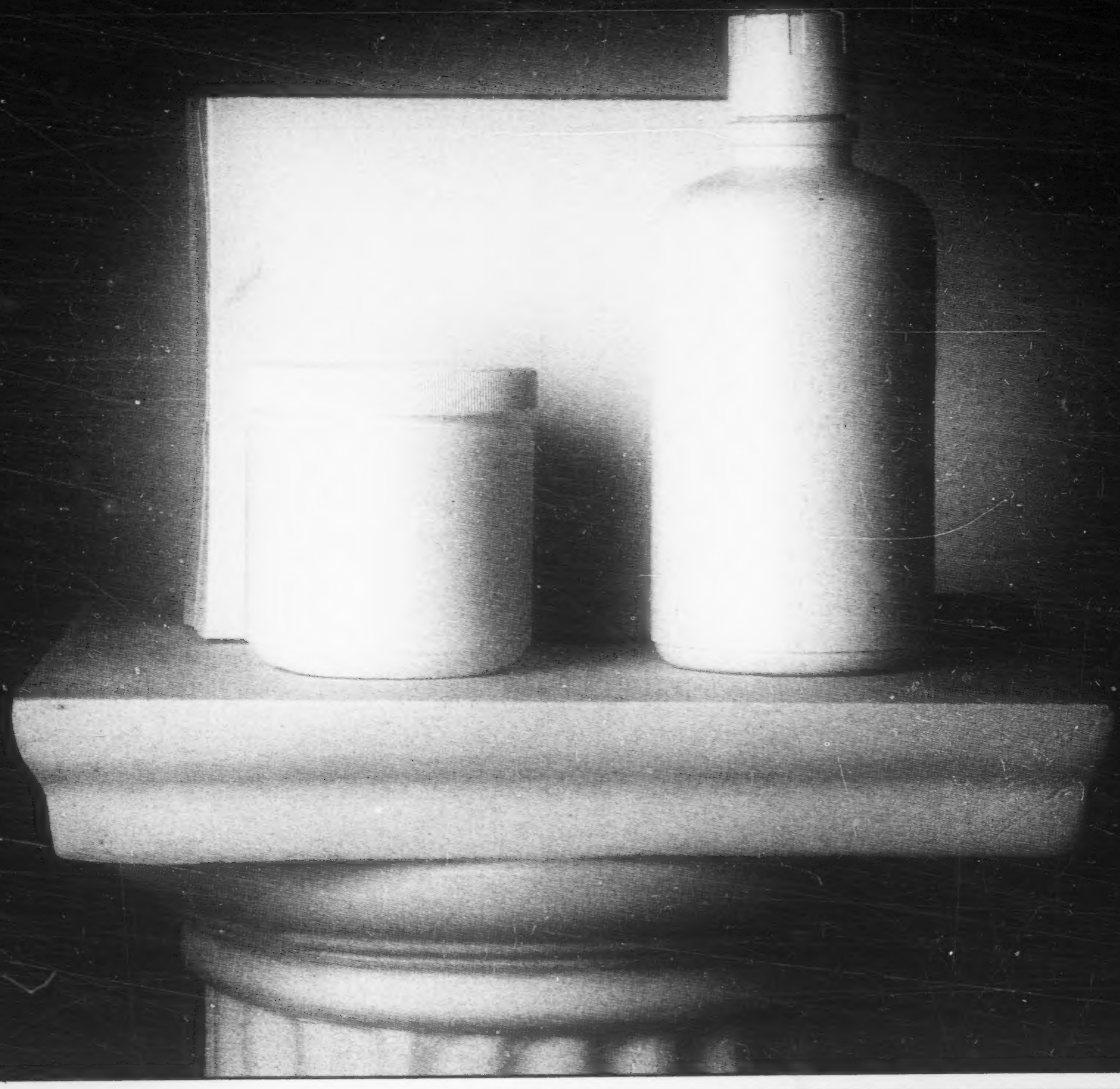
(Year ending July 13, 1990)

	Food stores		Drug stores	
	Top 3 brand dollar share	Private label share	Top 3 brand dollar share	Private label share
Baby powders	83.0%	13.9%	73.9%	20.2%
Baby oils, creams lotions	61.8	15.3	52.0	19.9
Infant clothes	87.5	0.6	89.6	0.2
Nursing supplies	82.4	0.4	60.2	1.3
Contraceptives	57.4	0.0	51.4	0.0
Personal lubricants	94.6	1.2	74.7	10.5
Home testing kits	62.0	0.0	57.1	0.0
Thermometers	67.8	8.5	45.6	38.8
Spray deodorants	52.4	0.2	43.7	1.7
Roll-on deodorants	53.4	1.0	50.2	2.2
Stick deodorants & pads	40.6	0.8	37.5	2.1
Cream deodorants	79.3	0.0	63.6	0.0
Deodorant & talcum powder	95.8	2.0	71.1	10.1
Feminine hygiene deodorants	89.2	0.0	69.9	4.5
Foot deodorants & athl. foot rems.	70.4	0.5	61.9	6.7
Feminine douches, washes, powder	91.1	4.8	82.0	11.6
First aid antiseptics	37.2	10.5	26.4	20.0
First aid products	54.7	19.1	31.3	22.1
Elastic goods & dressings	65.6	0.1	66.1	1.9
Shampoo	29.2	2.3	23.4	3.4
Hair spray	30.5	0.7	25.8	1.3
Hair conditioning rinses	26.4	1.5	17.7	1.4
Hair setting needs	31.1	0.4	30.5	0.9
Home permanent kits	67.5	0.0	55.6	0.8
Hair coloring	51.6	0.0	31.8	0.1
Hair dressing needs	36.4	0.2	27.3	1.5
Toothpaste & powder	46.3	0.6	43.0	2.1
Mouthwash	66.6	6.8	55.6	11.1
Breath fresheners	95.5	0.6	89.3	7.7
Denture cleaners	86.6	3.4	73.3	12.7
Denture adhesive	73.7	0.1	52.3	0.7
Toothbrushes	55.5	5.0	46.2	11.8
Dental aids	81.2	15.9	66.9	14.7
Antacids	43.7	2.4	31.7	6.4
Internal analgesics	56.0	8.5	47.6	15.1
External analgesics	59.8	0.8	44.7	5.4
Cold remedies	27.8	5.9	22.6	12.6
Nasal spray/drop/inhaler	60.7	6.6	53.7	11.6
Chest rubs	98.6	1.4	91.7	8.3
Cough remedies	51.5	5.5	36.5	13.5
Laxatives & stool softeners	60.4	6.3	34.3	13.5
Sleeping aids	91.2	1.3	67.9	15.4
Tranquilizers	100.0	0.0	100.0	0.0
Eye care products	55.5	1.5	54.0	4.1
Appetite suppressants	87.3	3.2	74.9	6.5
Synthetic vitamins	28.0	28.6	22.9	31.3
Natural vitamins, minerals, supps.	43.0	34.8	34.4	32.7
Shaving creams	60.8	0.6	53.0	2.1
Pre-shave lotions	93.9	2.2	72.6	11.8
Aftershave lotions	58.9	1.4	37.5	3.9
Razor blades	32.4	5.3	26.5	8.1
Hand & body creams/lotions	40.4	3.0	31.0	4.2
Facial preparations	56.4	1.1	38.7	3.2
Lip care products	77.7	0.5	59.4	4.4
Suntan lotion/suntan oil	53.4	2.0	39.4	8.4
Cosmetic & medicated skin aids	37.2	1.9	19.6	6.0

Source: Arbitron/SAMI

DRUG ST℞RE NEWS

1990 Triple A products earn their laurels



By Susan Ball

Triple A products are the thoroughbreds of drug store merchandise. They have earned their place on Drug Store News' *1990 Triple A product charts because of their track records in dollar sales and unit movement over the past year.*

But whether it's the Triple Crown or Triple A, it takes a lot more than quality raw material to beat the competition. Top performances in both worlds result from the melding of several factors, including handling and grooming, the break from the starting gate and the ride down the track.

Manufacturers dominate the first two stages, developing and making the products and ushering them to market. Once new products leave the starting gate, however, retailers take the reins, jockeying for position and exploiting any openings they find as they race for the winner's circle.

Drug store retailers generally don't see themselves as playing a major role in cre-

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The 100 Hottest Health & Beauty Aid Items

(Ranked by unit volume)

Rank	Product name	Rank	Product name
1.	Fleet Enema	*51.*	Tylenol Tablets Extra Strength 100s
2.	Advil tablets 24s	*52.*	Listerine 6 oz.
3.	Bausch & Lomb Saline Sensitive Eye 12 oz.	*53.*	Crest Tartar Control Gel 6.4 oz.
4.	Robitussin DM 4 oz.	*54.*	Nyquil 6 oz.
5.	Rolaids Antacids 3s	*55.*	Rolaids Spearmint 3s
6.	Tums 3s	*56.*	Mylanta II 12 oz.
7.	Carmex Lip Ointment .25 oz.	*57.*	Neosporin Ointment .5 oz.
8.	Tums Flavors 3s	*58.*	Close-Up Gel 6.4 oz.
9.	Tylenol Caplets Extra Strength 24s	*59.*	Vaseline Lip Therapy
10.	Mylanta Antacid 12 oz.	*60.*	Afrin Nasal Spray .5 oz.
11.	Alka Seltzer Plus 20s	*61.*	Crest Reg. 6.4 oz.
12.	Benadryl Allergy Caps 25mg 24s	*62.*	Tylenol Tablets Extra Strength 60s
13.	Blistik Lip Balm stick	*63.*	Ultra Slim Fast Strawberry 14 oz.
14.	Chapstick reg.	*64.*	Tylenol Gelcaps Extra Strength 24s
15.	Tylenol Caplet Extra Strength 50s	*65.*	Imodium A-D 2 oz.
16.	Advil tablets 50s	*66.*	BIC Shavers Sensitive 5s
17.	Colgate toothpaste 7 oz.	*67.*	Robitussin CF 4 oz.
18.	Crest Tartar Control 6.4 oz.	*68.*	BIC Shavers 5s
19.	Tylenol Tabs Extra Strength 30s	*69.*	Blistex .21 oz.
20.	Ultra Slim Fast Chocolate 14 oz.	*70.*	Colgate Tartar Control Paste 6.4 oz.
21.	AoSept Disinfecting Solution 12 oz.	*71.*	Crest Toothpaste 4.6 oz.
22.	B&D Cotton Swabs 100s	*72.*	Pepto Bismol 4 oz.
23.	Fixodent Dental Adhesive 2.5	*73.*	Robitussin DM 8 oz.
24.	Rolaids Antacid 12s	*74.*	Tylenol Tablets Chewable 30s
25.	Sudafed tablets 24s	*75.*	Benadryl Elixir 4 oz.
26.	Q Tips 300s	*76.*	Crest Tartar Control Gel Mint 4.6 oz.
27.	Tums Extra Strength 3s	*77.*	Tylenol Gelcaps Extra Strength 50s
28.	Listerine 32 oz.	*78.*	Colgate Toothpaste 5 oz.
29.	Slim Fast Chocolate 15 oz.	*79.*	Robitussin DM Single Dose 6s 10 ml.
30.	Plax Mint 16 oz.	*80.*	Rolaids Cherry 3s
31.	Tums Extra Strength Cherry 3s	*81.*	Slim Fast Strawberry 15 oz.
32.	Tylenol Child Drops .5 oz.	*82.*	Gillette Good News 5s
33.	Plax Reg. Flavor 16 oz.	*83.*	Oil of Olay 4 oz.
34.	Listerine 12 oz.	*84.*	Arm & Hammer Dental Care 5 oz.
35.	Dimetapp Elixir 4 oz.	*85.*	Gillette Good News 10s
36.	Maalox Plus tablets 3s	*86.*	Tampax Super 40s
37.	Aqua Net Extra Super Hold 9 oz.	*87.*	Aqua Net Unscented Super Hold 9 oz.
38.	Visine Drops 15 cc.	*88.*	Rave Hair Spray Ultimate Hold Unscented 7 oz.
39.	BIC Shavers 10s	*89.*	AoSept Disinfecting Solution 8 oz.
40.	Crest Tartar Control 4.6 oz.	*90.*	Alka Seltzer Plus 36s
41.	Centrum vitamins 130s	*91.*	Vicks Formula 44D 4 oz.
42.	Slim Fast Chocolate Malt 15 oz.	*92.*	AoDisc Replacement Catalyst
43.	Blistex ointment .25 oz.	*93.*	Fixodent 1.5 oz.
44.	Bayer Aspirin Child 36s	*94.*	Correctol Tabs
45.	BIC Shavers Sensitive 10s	*95.*	Maalox 12 oz.
46.	Mennen Speed Stick Reg. 2.5 oz.	*96.*	Gillette Sensor Blades 5s
47.	Q Tips 54s	*97.*	Barbasol Reg. 11 oz.
48.	Tylenol Caplets Extra Strength 100s	*98.*	Summer's Eve Disp. Douche 4.5 oz.
49.	Advil Caplets 24s	*99.*	Scope Peppermint 1.5 oz.
50.	Maalox Plus Cherry tablets 3s	*100.*	Slim Fast Vanilla 15 oz.

Source: *Drug Store News* research

The 100 Hottest Health & Beauty Aid Items

(Ranked by dollar volume)

Rank	Product name	Rank	Product name
1.	Ultra Slim Fast Chocolate 14 oz.	51.	Gillette Sensor Blades 5s
2.	AoSept Disinfecting Solution 12 oz.	52.	Nyquil 10 oz.
3.	Centrum 130s	53.	Boston Cleaner 1 oz.
4.	Tylenol Caplets Extra Strength 100s	54.	Bausch & Lomb Renu 12 oz.
5.	Ultra Slim Fast Vanilla 14 oz.	55.	Plax Mint 16 oz.
6.	Tylenol Tablets Extra Strength 100s	56.	Efferdent Tablets Extra Strength 96s
7.	Advil Tablets 50s	57.	Plax Reg. 16 oz.
8.	Robitussin DM 4 oz.	58.	Ecotrin Tablets 100s
9.	Ultra Slim Fast Strawberry 14 oz.	59.	Allergan Lens Plus 12 oz.
10.	Tylenol Caplets Extra Strength 50s	60.	Ciba Vision Saline Aerosol 12 oz.
11.	Advil Tablets 24s	61.	Ex-Lax unflavored pills 8s
12.	Theragran M Vitamins 130s	62.	Bayer Aspirin 100s
13.	Advil Tablets 100s	63.	Anacin Reg. 100s
14.	Benadryl Allergy Capsules 25 mg 24s	64.	Tylenol Elixir Cherry 4 oz.
15.	Listerine 32 oz.	65.	Excedrin 100s
16.	Mylanta II 12 oz.	66.	Imodium Liquid A-D 4 oz.
17.	Tylenol Caplets Extra Strength	67.	Listerine 12 oz.
18.	Alka Seltzer Plus 20s	68.	Mineral Ice Gel 8 oz.
19.	AoSept Disinfecting Solution 8 oz.	69.	Advil Caplets 50s
20.	Fixodent Tube 2.5 oz.	70.	Robitussin CF 4 oz.
21.	Mylanta Antacid 12 oz.	71.	Advil Caplets 24s
22.	Oil of Olay 4 oz.	72.	Correctol Tablets 30s
23.	Tylenol Drops .5 oz	73.	Neosporin ointment 1 oz.
24.	Tylenol Tablets Extra Strength 60s	74.	Nyquil Cherry 6 oz.
25.	Bausch & Lomb Saline Sensitive Eyes 12 oz.	75.	Tylenol Gelcaps Extra Strength 24s
26.	Advil Tablets 250s	76.	Visine Drops 15 cc
27.	First Response Pregnancy Test	77.	Tylenol Tablets 100s
28.	Robitussin DM 8 oz.	78.	Pepto Bismol 16 oz.
29.	Tylenol Gelcaps Extra Strength 100s	79.	Q Tips 300s
30.	Dimetapp Elixir 4 oz.	80.	Maalox Plus 12 oz.
31.	Tylenol Caplets Extra Strength 24s	81.	Metamucil 14 oz.
32.	Slim Fast Chocolate 15 oz.	82.	Tylenol Tablets Chewable 30s
33.	Tylenol Gelcaps Extra Strength 50s	83.	Vicks Formula 44D 4 oz.
34.	Boston Conditioner 4 oz.	84.	Afrin Nasal Spray 1 oz.
35.	Sudafed Tablets 24s	85.	B&D Cotton Swabs 100s
36.	Nyquil 6 oz.	86.	Sudafed Tablets 48s
37.	Alka Seltzer Plus 36s	87.	Colgate Toothpaste 7 oz.
38.	Fleet Enema 4.5 oz.	88.	Gillette Good News 10s
39.	Trojan-Enz Lub 12s	89.	Maalox Liquid 12 oz.
40.	Afrin .5 oz.	90.	Bausch & Lomb Sens. Eyes Daily Cleaner 30ml
41.	Benadryl Elixir 4 oz.	91.	Benadryl Capsules 25 mg 48s
42.	Imodium A-D 2 oz.	92.	Crest Tartar Control 6.4 oz.
43.	Tylenol Tablets Extra Strength 30s	93.	Scope Mint 24 oz.
44.	Oil of Olay 6 oz.	94.	Today Sponge 3s
45.	Slim Fast Chocolate Malt 15 oz.	95.	Alcon Opti-Clean II 20 cc
46.	Tampax Super 40s	96.	Pepto Bismol 8 oz.
47.	AoDisc Replacement Catalyst	97.	Dimetapp Extentabs 12 Hour 12s
48.	Slim Fast Strawberry 15 oz.	98.	Mennen Speed Stick Reg. 2.5 oz.
49.	Neosporin Ointment .5 oz.	99.	Chloraseptic Mouthwash 6 oz.
50.	Tampax Reg. 40s	100.	Night of Olay 1.7 oz.

Source: *Drug Store News* research

The 100 Hottest General Merchandise Items

(Ranked by unit volume)

Rank	Product name	Rank	Product name
1.	Duracell AA 2-pack	51.	Kleenex dispenser 130s
2.	Kodak Gold 200 GB135-24	52.	Kodak AA 2-pack
3.	Eveready Energizer AA 4-pack	53.	Downy fabric softener 64 oz.
4.	Reynolds Wrap 25 sq. ft.	54.	Kleenex Boutique 95s
5.	Kodak Gold 100 GA135-24	55.	Eveready Energizer 9 volt
6.	Scotch VHS tape T-120EG	56.	Kleenex Little Traveler 65s
7.	Jergens bar soap	57.	Eveready Energizer AAA 2-pack
8.	Kodak Gold 200 GB110-24	58.	Fuji Super HR 100 CN110-24
9.	Comet cleanser powder 14 oz.	59.	Palmolive dishwashing det. lemon-lime 22 oz.
10.	Arm & Hammer baking soda 16 oz.	60.	Eveready Super Heavy Duty AA 4-pack
11.	Ajax cleanser powder 14 oz.	61.	Charmin bath tissue 6-roll
12.	Stuart Hall themebook 40-count college ruled	62.	Oxford ruled white 3" x 5" index cards 100s
13.	Irish Spring green soap	63.	Duracell AA 8-pack
14.	Diamond Foil standard 25 sq. ft.	64.	Kleenex tissue asst. 250s
15.	Mead envelopes legal size 50s	65.	Dawn liquid dish det. 22 oz.
16.	Eveready Energizer AA 2-pack	66.	Ivory bar soap 8-pack
17.	Faber pencils no. 2 10s	67.	Eveready Super Heavy Duty AA 8-pack
18.	Dove white soap	68.	Cascade powder dishwasher det. 50 oz.
19.	Stuart Hall themebook 40s wide ruled	69.	Reynolds plastic wrap colors
20.	Duracell AA 4-pack	70.	Faber pink eraser
21.	Ajax liquid dish det. 22 oz.	71.	Tide regular 39 oz.
22.	Fuji Super HR 100 CN135-24	72.	3M Scotch clear tape .5"x 500"
23.	Polaroid videotape T-120	73.	Tide w/bleach 39 oz.
24.	Mead Color Talk portfolio	74.	Faber cap erasers 5s
25.	Cashmere bar soap	75.	Bowl Fresh deodorant 3 oz.
26.	Clorox bleach regular gal.	76.	Kleenex softique 95s
27.	Kodak videotape T-120	77.	Wisk liquid 64 oz.
28.	Eveready Energizer D 2-pack	78.	Duracell D 4-pack
29.	Caress body bar	79.	Tide w/bleach 67 oz.
30.	TDK video Hi-Std VHS T-120	80.	Kodak Gold 400 GC135-24
31.	Duracell D 2-pack	81.	Stuart Hall "clean scene" theme
32.	Mead brief folders 100s	82.	Clorox bleach fresh scent gal.
33.	Fuji Super HG 200 CA135-24	83.	Northern bath tissue 6-roll
34.	Brawny paper towels assorted	84.	Elmers Glue All 4 oz.
35.	Memorex video HS Hi-Std T-120	85.	Meadpocket folio 11x8
36.	Mead Peechee Portfolio	86.	Kodak AA 4-pack
37.	Maxell video VHS	87.	Kodak Gold 200 GB135-36
38.	Eveready Energizer C 2-pack	88.	Mead Garfield portfolio
39.	Purex bleach liquid gal.	89.	Polaroid 600 Plus 2-pack
40.	Duracell C 2-pack	90.	Carters Mark-A-Lot black
41.	Reynolds Wrap standard 25 sq. ft.	91.	Dove liquid dish det. 22 oz.
42.	Eveready Energizer AA 8-pack	92.	Sunlight liquid dish det. 22 oz.
43.	Ivory bar soap 4-pack	93.	Joy liquid dish det. 22 oz.
44.	Duracell 9 volt	94.	Mead envelopes legal size 50s
45.	Faber zip pouch 9.5" x 6"	95.	Kodak Gold 100 GA135-36
46.	Polaroid 600 Plus single	96.	Kodak Gold 400 GC135-36
47.	Palmolive dishwashing det. 22 oz.	97.	Mead Color Talk portfolio
48.	Scotch videotape T-120 3-pack	98.	Elmers School Glue 4 oz.
49.	Dove white soap unscented	99.	Bounty Paper Towels Design
50.	Dennison Glue Stick	100.	Duracell AAA 4-pack

Source: *Drug Store News* research

The 100 Hottest General Merchandise Items

(Ranked by dollar volume)

Rank	Product name	Rank	Product name
1.	Polaroid 600 Plus 2 pack	51.	Lisa Frank trifold binder
2.	Scotch T-120 3 pack	52.	Dawn dish detergent 22 oz.
3.	Polaroid 600 Plus single	53.	Coronet bath tissue 8-roll white
4.	Kodak Gold 200 GB135-24	54.	Fuji Super HG CA135 3-pack
5.	Polaroid T-120 SG 3 pack	55.	Duracell AA 4-pack
6.	Memorex Video 3 pack HS T-120	56.	Tide w/bleach 67 oz.
7.	TDK Video Hi-Std T-120	57.	Eveready photo lithium battery 6 volt
8.	Kodak Gold 200 GB135-24 3 pack	58.	Bounce fabric softener 40s
9.	Kodak Gold 100 GA135-24	59.	Faber Castell markers 30s
10.	Kodak Gold 200 GB110-24	60.	Eveready Energizer C 2-pack
11.	Reynolds Wrap 25 sq. ft.	61.	Arm & Hammer baking soda
12.	Kodak Gold 400 GC135-24	62.	Kodak Gold 200 GB135-12
13.	Polaroid Time Zero single	63.	Dove unscented white soap
14.	Kodak Gold 100 GA135-24 3 pack	64.	Tide regular 64 oz.
15.	Kodak Videotape	65.	Ajax liquid detergent 64 oz.
16.	Kodak Gold 200 GB135-36	66.	Eveready Energizer 9 volt 2-pack
17.	Kodak Gold 400 GC135-24 3 pack	67.	Soft Soap refill 15 oz.
18.	Fuji Super HG 200 CA135-24	68.	Palmolive dish detergent 22 oz.
19.	Polaroid Spectra 2 pack	69.	All liquid detergent 64 oz.
20.	Fuji Super HR 100 CN135-24	70.	Kodachrome 64 KR135-36
21.	Tide regular 39 oz.	71.	Kleenex Boutique 95s
22.	Maxell Video VHS	72.	Duracell 9 volt 2-pack
23.	Kodak Gold 400 GC135-36	73.	Cheer 39 oz.
24.	Dove soap white	74.	Eveready Energizer 9 volt
25.	Charmin bath tissue 6-roll white	75.	Kodak Gold 100 GA135-12
26.	Fuji Super II CN135 3pk	76.	Charmin bath tissue white 4-roll
27.	Kodak Gold 100 GA135-36	77.	Ivory bar soap 8-pack
28.	Tide w/bleach 39 oz.	78.	Duracell 9 volt
29.	Kodak Disc CVR15-2	79.	Kleenex tissue asstd. 250s
30.	Faber pencils No.2 10s	80.	Kodak Gold 200 GB110-12
31.	Mead Trapper Keeper	81.	Stuart Hall "clean scene" themebook
32.	Jergens bar soap	82.	Maxell camcorder tape 8mm 2-pack
33.	Comet Cleanser powder 14 oz.	83.	Eveready Energizer AAA 2-pack
34.	Duracell AA 8-pack	84.	Maxell camcorder tape 2-pack
35.	Northern bath tissue 6-roll	85.	Duracell AAA 4-pack
36.	Downy fabric softener 64 oz.	86.	Kleenex dispenser 130s
37.	Eveready Energizer AAA 4-pack	87.	Duracell AA 2-pack
38.	Irish Spring 3-pack	88.	Duracell C 4-pack
39.	Fuji Super HR 100 CN110-24	89.	Eveready Super HD lantern battery 6 volt
40.	Wisk liquid 64 oz.	90.	Eveready lantern battery 6 volt
41.	Eveready Energizer D Super 6-pack	91.	Kleenex Softique 95s
42.	Reynolds Wrap STD 25 sq. ft.	92.	GE rechargeable AA 4-pack
43.	Diamond Foil STD 25 sq. ft.	93.	Eveready Energizer C 6-pack
44.	Polaroid Spectra single	94.	Brawny towels
45.	Stuart Hall theme book 40-count college ruled	95.	Eveready Energizer AA 4-pack
46.	Duracell D 4-pack	96.	Bounty towels design
47.	Ajax Cleanser 14 oz.	97.	Eveready photo 1.5 volt
48.	Empire pencils 20s	98.	Maxell Video VHS HGX-gold
49.	Ivory bar soap 4-pack	99.	Kleenex Pocket Pack 8s
50.	Eveready Energizer D 2-pack	100.	Lisa Frank Paperpack It

Source: *Drug Store News* research

Triple A products earn their laurels

How chain drug stores used ad space: 1990 vs. 1989*

(Percentage of space devoted to each category each month, first six months)

H&BA

	Jan.			Feb.			March			April			May			June		
Category	'89	'90	% chg	'89	'90	% chg	'89	'90	% chg	'89	'90	% chg	'89	'90	% chg	'89	'90	% chg
Baby Needs	2.3%	1.9%	−17%	2.6%	1.9%	− 27%	2.1%	2.1%	0%	3.2%	1.9%	−41%	1.7%	1.9%	+12%	1.9%	2.1%	+11%
Deodorants	2.4	1.7	−29	2.0	2.0	0	2.9	2.6	−10	2.4	2.2	− 8	2.2	2.1	− 5	2.6	2.2	−15
Dental	3.1	3.5	+13	3.8	3.9	+ 3	3.7	3.0	−19	3.1	3.1	0	2.9	2.8	− 3	3.5	2.7	−23
Analgesics	2.4	2.7	+13	2.6	3.0	+ 15	2.4	3.3	+38	2.3	2.2	− 4	1.8	2.1	+17	2.8	2.2	−21
Antacids	1.4	1.2	−14	1.1	1.4	+ 27	1.1	1.4	+27	1.4	1.4	0	1.1	1.2	+ 9	1.3	1.2	− 8
Eye Care	1.9	2.4	+26	2.2	2.6	+ 18	1.9	2.1	+11	2.2	2.3	+ 5	1.7	2.1	+24	2.5	2.4	− 4
Cough/cold	6.3	5.5	−13	5.6	5.7	+ 2	3.3	4.5	+36	2.2	2.4	+ 9	1.9	2.0	+ 5	1.6	1.4	−13
Family planning	0.2	0.3	+50	0.2	0.6	+200	0.5	0.3	−40	0.4	0.7	+75	0.4	0.3	−25	0.4	0.3	−25
Feminine hygiene	2.1	1.4	−33	1.8	1.9	+ 6	1.6	1.6	0	1.1	1.3	+18	1.6	1.5	+ 6	1.6	1.7	+ 6
Skin care**	5.5	7.8	+42	5.3	6.7	+ 26	6.2	6.9	+11	7.6	7.3	− 4	8.8	8.4	− 5	9.7	7.7	−21
Diet Aids/vitamins	5.0	5.6	+12	3.9	4.5	+ 15	2.5	4.5	+80	3.2	4.0	+25	2.3	3.2	+39	1.9	2.7	+42
Home health care	2.5	3.1	+23	2.6	3.6	+ 38	3.9	4.2	+ 8	3.1	3.4	+10	3.5	3.9	+11	3.6	3.9	+ 8
First aid†	0.3	0.3	0	0.9	1.0	+ 11	0.9	1.1	+22	0.8	1.3	+63	1.3	1.7	+31	1.8	1.6	−11
Men's toiletries	1.6	2.0	+25	2.0	2.6	+ 30	1.6	2.5	+56	1.6	1.9	+19	1.4	1.4	0	4.0	3.9	− 3
Hair care	7.5	5.6	−25	8.3	5.8	− 30	8.0	6.5	−19	7.7	6.2	−19	6.5	5.7	−12	7.5	5.0	−33

*Ad activity for top 50 drug chains
**Skin care here includes lotions/creams and bar soap
†First aid here includes antibiotic ointments as well as bandages, etc.

Source: Ad Activity Marketing Services Inc., Springfield, Ill.

Continued from page 17

ating consumer demand for most products. But the way in which consumer demand is created determines how they handle many products.

For example, demand for a Triple A item such as Fleet Enema, which has topped the H&BA unit list for several years, is generated by physician recommendations and consumer practices and benefits from the aging population. The product isn't an impulse item, nor is it dependent on media support. Consequently, although it will earn a prominent position and more facings in planograms, and might be run on promotion when a deal can be cut, retailers don't merchandise and advertise it the way they would some other Triple A products.

In the case of batteries and film—two categories that dominate the top slots on the Triple A general merchandise charts—lifestyle trends are the prime force behind tremendous consumer demand. The explosion in devices requiring batteries, from electronic toys to hearing aids, has made batteries a commodity, so that being in stock on the type of battery the consumer needs is even more important to retailers than having a particular brand.

Similarly, the boom in popularity of 35mm photography has steadily fed demand for film and photofinishing services.

This year, more blank videotapes are showing up near the top of both general merchandise lists, reflecting the high percentage of U.S. households owning VCRs and the growing camcorder market. Frank Gable, Harco Drug director of sales, noted that as the price of camcorders has come down, more and more young families own them. He observed, "They chew up a lot of videotapes. Parents aren't going to tape over footage of their children growing up, so people are buying more tapes."

But consumer demand for many Triple A items is created primarily by manufacturers' marketing and advertising strategies.

The marketing of Ultra Slim Fast (chocolate), which shot to the top of this year's Triple A H&BA dollar-volume list, is a case in point.

"We retailers are the beneficiaries of manufacturers' products and marketing," observed Frank Newman, president of F&M. "We can't create consumer desire to use a product such as Slim Fast. We provide the products on which the customer has been presold."

Tim McAlear, executive vp of Pay Less, concurred: "The days of us telling customers what to buy are fading fast. They tell us what they want to buy, influenced by vendors' advertising campaigns that help create demand."

"Slim Fast gained position because it's a good product backed by a good marketing and advertising program," said Newman. "Its success has been truly astonishing. And it's the result of a brilliant marketing program by the manufacturer [Thompson Medical]—a textbook example of how to do it right."

The measured introductions, first of Slim Fast, then Ultra Slim Fast, then a water-soluble and most recently, a premixed version—all backed by a major advertising campaign that includes heavy national television exposure—has stimulated the diet aid category dramatically. And retailers have responded with merchandising and advertising strategies to heighten consumer demand.

F&M, for example, displayed Slim Fast products on promotional pallets of stacked cutcases as well as in the diet aid section. Pay Less gave Slim Fast endcap displays and advertised it in circulars.

Added Harco's Gable, "With such products, the manufacturer is spending a lot promoting it, and we try to ride along, with displays, rebates and our own advertising. The diet aids category has expanded tremendously, and now Lederle is introducing a new diet product to compete with Ultra Slim Fast—it will help the whole category."

Pharmacist recommendations are one of the most powerful influences a drug store wields in product support, particularly for OTCs and H&BAs, McAlear said. Outside of that, "we follow along with vendor promotions and give products second locations at the checkstand or on endcaps. Once in awhile, a product sells itself. But more than anything, it's having what the customer wants in stock."

He added, "What the drug store adds is assortment of sizes or related items or a complete category, which combos and discount stores can't provide. Also, convenience—customers know they can get served and get in and out fast. Customers perceive that a drug store will have H&BA and drug items; our job is to have the product, however the demand is created."

F&M's Newman maintained that retailers play a more critical role when a product is first introduced, before it has gained a following. "When consumer demand isn't

Continued on page 28

How the study was done

Drug Store News compiled the top 100 product rankings in H&BA and general merchandise by blending warehouse movement data supplied by a group of medium- to large-sized drug chains. In the case of H&BAs, the results were then checked against rankings supplied by a leading marketing research firm. The figures represent 12 months of product movement, and generally cover the period from July 1989 through June 1990, although there were some variations in the ending dates of the chains' full-year figures.

How chain drug stores used ad space: 1990 vs. 1989*

(Percentage of space devoted to each category each month, first six months)

General Merchandise

	Jan.			Feb.			March			April			May			June		
Category	'89	'90	% chg	'89	'90	% chg	'89	'90	% chg	'89	'90	% chg	'89	'90	% chg	'89	'90	% chg
Photo/film	1.9%	2.7%	+42%	2.3%	2.4%	+4%	2.4%	2.5%	+ 4%	2.0%	2.7%	+35%	2.6%	3.2%	+23%	3.3%	2.9%	−12%
Videotapes	1.4	1.7	+21	1.3	1.4	+8	1.3	1.1	−15	1.4	1.3	− 7	1.3	1.4	+ 8	1.1	1.1	0
Household products**	3.0	3.2	+ 7	2.6	2.7	+4	2.6	3.1	+19	2.9	3.0	+ 3	3.2	3.3	+ 3	4.3	7.7	+79
Stationery	5.8	4.4	−10	3.7	3.4	−8	1.9	2.9	+53	1.7	1.5	−12	0.5	0.9	+80	0.6	0.6	0
Cleaning Supplies	3.9	3.6	− 8	3.6	3.8	+6	3.9	4.3	+10	4.4	4.6	+ 5	2.6	3.3	+27	2.6	2.7	+ 4
Paper goods/foil	2.9	3.1	+ 7	2.9	2.7	−7	3.0	3.0	0	3.5	3.0	−14	2.9	3.3	+14	2.8	3.1	+11

*Advertising from top 50 drug chains is represented.

**Household products here includes batteries, light bulbs, other lighting products.

Source: Ad Activity Marketing Services Inc., Springfield, Ill.

Ongoing vendor support drives Triple A product status

Continued from page 26

solid, it's absolutely critical that retailers display the product in such a way that it's easily available for the consumer to see and understand it. L'Oréal's Plenitude is a good example: Had L'Oréal not been successful in persuading retailers to give the product exposure, Plenitude couldn't have been successful. The manufacturer's advertising would not have been sufficient. The retailer is most effective in aiding a product at the early stages of growth, helping to create demand."

He continued, "Once a product has caught hold, that retailer contribution isn't as important to the manufacturer."

Several retailers agreed that for a product to maintain Triple A-level performance, vendors must keep up that media exposure and breathe new life into lines via extensions.

"There is a certain amount of brand loyalty because of the efficacy of a product," said Tom Slovenkay, Rite Aid's assistant director of purchasing. "When customers find something they like, such as an eye care product, it's difficult to change them. And some products are going to be perceived as a value brand, even if they're not advertised."

However, he continued, "products are driven by the manufacturer's advertising support. If that stops, or dwindles, even if it's a great product, it will lose share."

"We're dependent on the manufacturer continuing to stimulate demand," said F&M's Newman. "If the vendor lets down and demand tapers off, we would no longer give it the promotional space but would give that space to something else. As long as the manufacturer continues with introductions and media support, we will continue to promote [a product] in stores."

Most products stay on the Triple A charts for two reasons, maintained McAlear of Pay Less: "It's a quality product, and, once people find a product they like, they are very brand loyal. In batteries, for example, there are Eveready customers and Duracell customers. It comes down to brand loyalty, which goes back to a good launch that got people to try the product in the first place."

However, he continued, "Fuji has cut into Kodak market share, and Advil has cut into Tylenol's market share because both back their products with consistent advertising campaigns. And both are good products. If their advertising keeps up, they'll continue to gain market share."

> *'We're dependent on the manufacturer continuing to stimulate demand.'*
>
> **— Frank Newman**
> president, F&M

In general, the more popular a product becomes, the lower the margin on which retailers work; thus, products on the Triple A lists are likely to be low margin. The higher margin opportunities generally lie with less popular products and with new products before they've gained popularity, retailers say.

Phil Perkins, vp-merchandising of Snyder Drug, noted, "If a product draws big traffic, you promote it more at a good price. Retailers are more willing to price a high-demand product competitively, to create a stronger price impression on the customer. Consumers tend to remember a good price on a popular item."

Rite Aid's Slovenkay said that in addition to maintaining a strong ad campaign, manufacturers need to offer the trade "good allowance programs to promote the product." Otherwise, retailers can't promote and still make a profit. Without sustained manufacturer support, the retailer may reconsider the ad space he gives that product, and if there are other brands of comparable quality, "you can start advertising them," he said.

"And many consumers will try that other brand or, increasingly, the private label product, which is becoming a major competitive brand in many categories, in terms of movement—and you can make a profit on it," Slovenkay noted.

But if vendors continue to spend against a product and provide co-op advertising and incentives for special displays, "it's self-fulfilling," said Perkins of Triple A performers. "You promote more, so you sell more, so you promote more."

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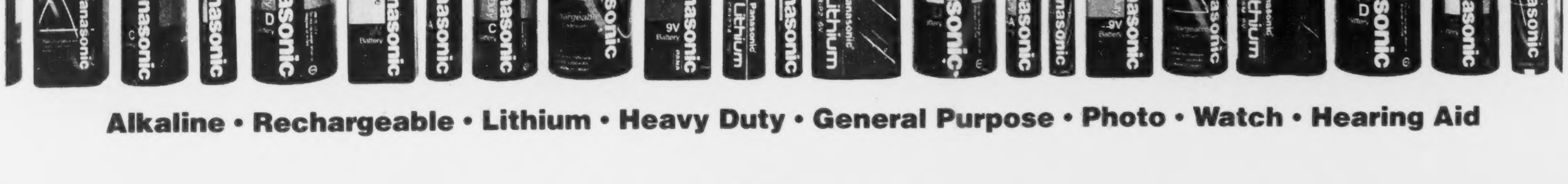

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Drug chains lubricate traffic with motor oil and antifreeze

By Paul Cockerham

Profit is not foremost on the minds of retailers when they merchandise motor oil and anti-freeze—the products are a means for lubricating traffic counts, and an opportunity to let discounted prices speak a service message, they tell *Drug Store News*.

Pricing competition, low margins and a growing body of local environmental regulations can make profits slippery. But retailers say the categories still earn a place on their shelves, presenting unique promotional, positioning and service opportunities.

According to *Aftermarket Business*, a trade publication, retail outlets sell $3 billion worth of motor oil annually. *AB* lumps drug chains together with food and hardware stores into its "non-auto channel" segment *(see chart)*, which it says pulls down 20 percent of the business annually. *Drug Store News* estimates that the chain drug industry holds anywhere from 3 percent to 6 percent, or $90 million to $180 million, of the retail market.

A shrinking market?

Part of the problem drug chains face is that quick-lube centers are apparently making inroads among do-it-yourselfers. Oil refiner Texaco notes that the current 34-percent share of the motor oil aftermarket held by quick-lube outlets is a figure that's growing at the rate of a percentage point a year.

The competitive pricing that this has engendered has made profit a secondary rationale for many retailers carrying the category. Many discount motor oil to traffic-building levels, letting the price speak a service message.

Yet some retailers feel that the retail market for oil sustains its levels, because as cars get more complicated, the basic oil change will remain a chore relished by DIYers as a rare opportunity to get their hands dirty.

"Quick lube outlets used to be a concern," noted Craig Dunn, hardware and automotive merchandiser at Oregon-based Pay Less Drug Stores, "but there still is a large DIY segment."

Pay Less stores typically give the section 12 feet, Dunn said, and Pennzoil, Havoline, Valvoline and Castrol are the best performers. The 300-store chain does about $4.5 million at cost, Dunn said, and he doesn't see any real growth in the category.

"We keep prices low and competitive," Dunn explained, adding that the chain creates a service image opportunity with the resulting traffic by posting signage in the department, telling consumers the phone numbers of their local environmental regula-

Continued on page 30

Replacement motor oil market

(Approx. 600 million gallons annually)

Do-it-yourselfers buying oil from retailers	66%
Oil replacement centers*	34

*Oil replacement centers (i.e., quick-lube centers, are increasing their share percentage at the rate of 1% per year. Source: Texaco Refining & Marketing

Retail channel share of $3B motor oil market

Discount stores	61%
Non-auto channels (food, drug and hardware chains)	20
Auto centers	17
Department stores	2

Source: *Aftermarket Business*

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Recycling law gives Mass. retailers the slip

With profit opportunities in motor oil hard to come by, chains are hoping that a Massachusetts law requiring retailers to accept the motor oil they sell for recycling does not become a fact of life elsewhere.

The 1974 statute mandates that retailers keep on site state-approved barrels for returned oil, which they can then sell to re-refiners. Discount and auto accessory outlets typically pay hundreds of dollars per store for a single barrel, and anywhere from $20 to $75 a shot for haulers to cart it away.

Enforcement of the law has only taken place in the last year, according to Miles Brown, a regional planner with Massachusetts Dept. of Environmental Protection. "The enforcement effort corresponds with increased public education activity," Brown told *Drug Store News*. "We don't see the law affecting drug, food or discount stores too heavily—the person recycling oil will tend to be an auto center customer—and other retailers will only be seeing a very small amount of oil returned to their stores."

The enforcement agenda is currently targeting larger retailers. "Unless we receive a complaint, we're not going to look at small stores for awhile," Brown stated.

When the enforcement plan was first announced, CVS was the only drug chain that informed the state it was planning to get out of the motor oil business, Brown said. "We've not heard from any of the others, and presume they're still carrying motor oil," he added.

At press time, CVS executives had not returned this newspaper's calls, but according to Gerald Weiner, president and CEO for 41-store Rix Dunnington, based in Auburndale, Mass., "I don't know of any drug retailer who carried the product in the wake of the enforcement announcement."

Rix Dunnington had carried motor oil as a convenience but since "we sold 85 percent on promotion" wasn't "making any money on it anyway," and decided to drop the segment in the wake of the state's enforcement announcement.

"It wouldn't have been very much," in terms of volumes of oil to be recycled, Weiner admits, "but the cost of compliance was too great, and too difficult to implement, throughout the chain."

New York also requires retailers to accept motor oil they sell for recycling, although enforcement of the statute is not taking place. Other states are considering passing such laws.

Motor oil lubricates chain traffic

Continued from page 29

tory agencies should they desire information on recycling motor oil.

Other retailers praise motor oil's role as a loss leader. "It is a core automotive item, and a terrific vehicle to build traffic in the automotive department," said Gary Risler, vp for I Got It At Gary's, the three-store regional discount chain in northeastern Pennsylvania. Risler merchandises high-profit impulse items near motor oil—"You simply use it as a draw," he said.

Risler moves 10 cases a week at his three stores ("business in motor oil looks flat," he said), with Quaker State and Citgo warranting mention as performers.

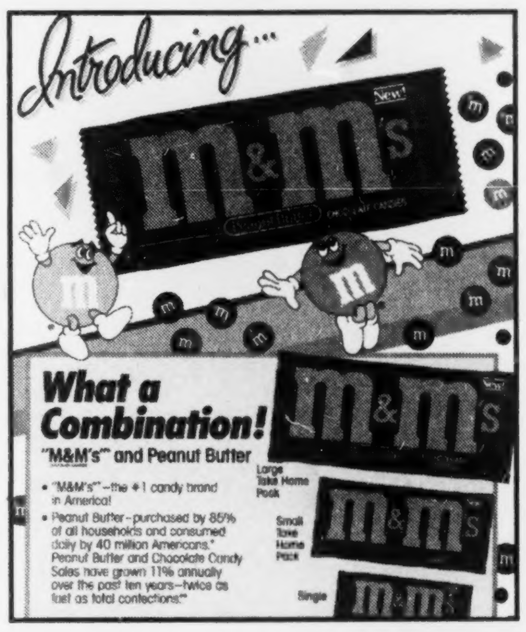
At Happy Harry's Discount Drug in Newark, Del., Tom Cutonilli, seasonal and OTC buyer, stocks only promotional motor oil, hoping he can get enough from his rack jobber (the chain's 21 stores typically stock "a couple of facings," Cutonilli said), "to carry me through to the next promotion.

"If the price merits it, I'll carry it," he explained. "We'll carry Quaker State, Sunoco or Citgo at seventy-nine, eighty-nine or ninety-nine cents the quart. But let's face it—I'm not playing with the Pep Boys here."

Cool it

Antifreeze is generally stocked year-'round by drug chains as a convenience. Craig Dunn reports Prestone and Xerex are prime movers in Pay Less's 4- to 8-foot sections; Prestone also gets a nod from Gary Risler at I Got It At Gary's, where he moves 250 cases a year. Tom Cutonilli at Happy Harry's has carried generic brands that offer customer value, both in terms of price and whether they offer aluminum engine protection; and this year has just brought in Prestone.

PRODUCT & PROMOTION UPDATE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Savings bond promo introduces new candy

M&M/Mars is introducing peanut butter candies, its first new flavor since 1954. The candies will debut in California, Oregon, Washington, Alaska, Hawaii, northern Idaho and western Nevada. The brand will offer a $50 U.S. Savings Bond to every baby born on Sept. 11, 1990 in these seven states. Parents can redeem the bond by sending the baby's name and a photocopy of the birth certificate along with the parent's name, address and Social Security number to: Stork Headquarters, 79 Madison Ave., Third Floor, New York, N.Y. 10016.

M&M/Mars, High St., Hackettstown, N.J. 07840.

Promotion ties Fuji in with sports events

As part of a promotion between Fuji and the National Football League, Fuji has been named the "Official Videotape of the National Football League." Fuji is also the official videotape of the upcoming Super Bowls XXV, XXVI and XXVII, the AFC-NFC Pro Bowls 1991-93, along with the 28 individual NFL member clubs.

Building on this association, Fuji is planning consumer promotions and merchandising programs, including free-standing inserts and sweepstakes.

Fuji Photo Film U.S.A., 55 Taxter Road, Elmsford, N.Y. 10523.

CLASSICS
CLASSICS
CONTROL TOP

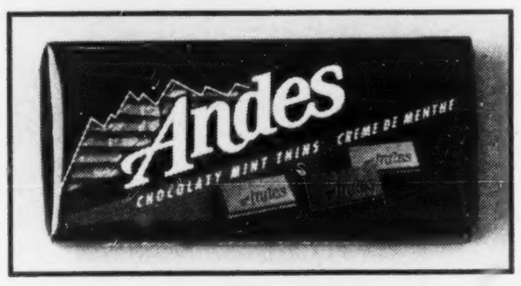
New fabric blend gives pantyhose better fit

L'eggs has a new line called Classics, a nonsupport pantyhose with a lightweight 10-denier Lycra that provides a superior fit to 100 percent nylon pantyhose.

An introductory shipper will feature Classics at an introductory price of $1.69. The regular price will be $2.29 for sizes A, B, and $2.39 for size Q. Control top is priced at $2.79 for sizes A, B, and $2.89 for size Q.

The new line is packaged in a white egg with red and magenta cylinder and comes in seven shades.

L'eggs Products, P.O. Box 2495, Winston-Salem, N.C. 27102.



Chocolate boasts new price, packaging

Andes Candies is dressed for success in new packaging with two new, popular price points. The packaging incorporates a color bar beneath the Andes name that designate the flavor. Consumers can see the product through a clear cellophane window shaped like mountains.

The new 4.67-ounce, 28 piece box has a SRP of 99 cents. The new 10-ounce, 60-piece box replaces the former 6-ounce box and is available in three flavors.

Andes Candies, One Tower Lane, Oakbrook Terrace, Ill., 60181.

The Next Time You Travel...

Greeting cards for kids, adults

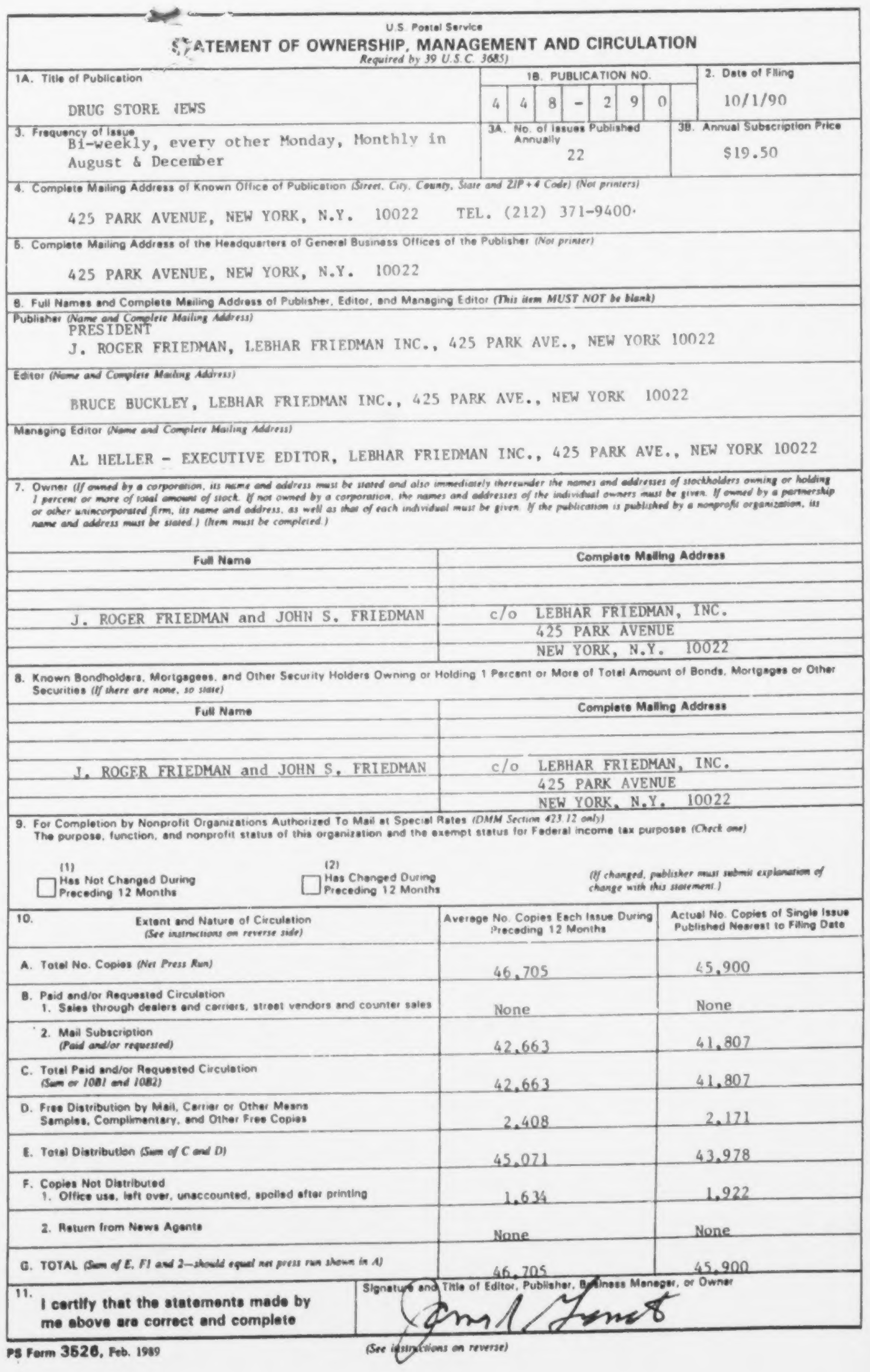
Kid Zone, by American Greetings, has a full line of cards that can be sent from adult to child, child to adult, and child to child. The cards feature pop-outs, games and stickers. The Kid Zone Keep in Touch pack has eight cards in a reclosable package.

American Greetings, 10500 American Road, Cleveland, Ohio 44144.

Fragrance system for every room

Home Essentials is a line of home fragrance products by Scentex that maximizes the scent chosen for each room and maintains that scent longer. Packaging for each product identifies the room and the chosen scent to make selection easy. The products are designed with a single fragrance for each room.

Scentex, 4545 W. Augusta Blvd., Chicago, Ill. 60651.



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DRUG STORE NEWS®

INSIDE PHARMACY

PHARMACIST EDITION

SECOND CLASS

Vol. 5, No. 11/October 22, 1990

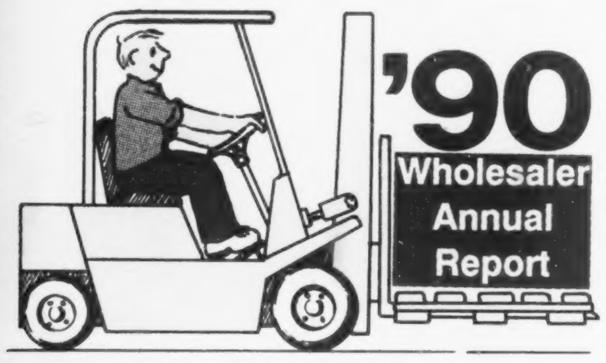
The News Journal of Retail Pharmacy

Published by Lebhar-Friedman, Inc.

Industry execs say drug wholesalers' future looks bright

By Elizabeth Parks

NEW YORK — Most drug wholesalers are holding on to a cautiously bright outlook for their industry despite a year that saw a dip in their overall gross margins and intense competition in certain market areas.



In Sacramento, Calif., where Amfac's growth is outpacing that of the industry as a whole, president Mel Whitmire says that even though NWDA reported another decline in gross margins, he considers 1990 "a good year overall."

Although Whitmire thinks the industry is basically healthy, he says areas like manufacturer and customer needs, and competition "need to be addressed."

"There are ways we need to better service our customers as well as the manufacturers," says Whitmire, "so we all operate more efficiently."

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The 1990 Wholesaler Annual Report takes an in-depth look at the drug wholesaling industry . **1**

10 *What does the aging process and the thyroid gland have in common? IP's Healthtalk column has the answer.*

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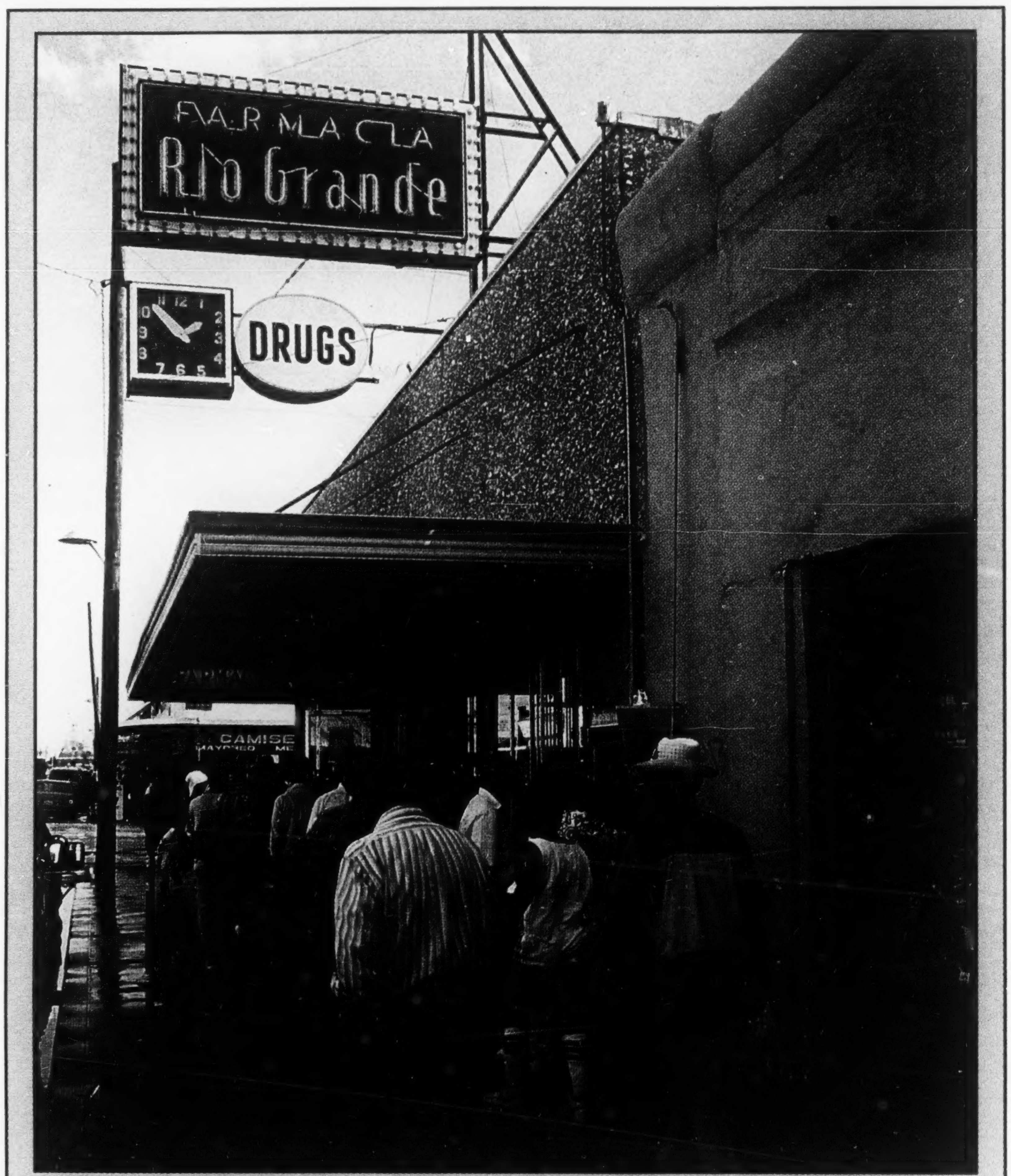

Border 'farmacias': health line to Mexico

By Elizabeth Richardson

EL PASO, Texas — For pharmacists who live along the nearly 2,100 miles of border that stretches from California to Texas, native Mexicans are often a considerable source of income.

The border "farmacias" on the U.S. side are the focal point for the health of thousands of Mexican people, who cross the border to receive their professional services.

But while the six Mexican states and four U.S. states that line the border may offer endless opportunities for retail pharmacies, the pharmacists in these areas also share common problems and situa

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VP/Publisher **JAY FORBES**

Editor **BRUCE BUCKLEY**
Editor/Inside Pharmacy **HAROLD COHEN, R.PH.**
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Desk Editor **Bernadette Casey**
Editorial Assistant **Fred Rueckher**
Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Elizabeth Richardson** (Field Editor, Dallas; (214) 964-1778), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

Art Director **Bob Brokman**
Graphic Artist **Maryellen Seery**

Associate Publisher/National Adv. Manager **JILL MANEE**

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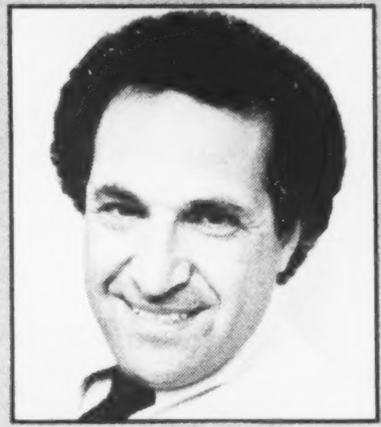
Vol. 5, No. 11 October 22, 1990

A salute to wholesalers



COHEN'S CAPSULES
HAROLD COHEN

As you've probably noticed, this issue of *Inside Pharmacy* features our annual drug wholesaler report. As I was reading over the copy, I couldn't help but think back to my retail drug store days. Once the owner of two stores, I have great respect for drug wholesalers. This is an industry that very quietly, but efficiently, allows our excellent system of drug distribution in this country to flow without interruption. Even the mega-chains, with their mammoth distribution centers, rely heavily on drug wholesalers to get them product that either their warehouse is out of or just doesn't carry.

Most of the pharmacists I've met, both chain and independents, hold a special fondness for the drug wholesaler. And well they should. What other industry gives their blend of services, and often at bargain-basement prices. Unfortunately, like anything that operates with super efficiency, they are sometimes taken for granted, until they are gone.

Yes, while reading over the pages in this issue on wholesalers my mind wandered. . .

It was a dark and stormy night . . .

I thought back to a stormy night one February. The snow started to come down early in the day. Since the storm had been forecast, business was brisk in the morning. By afternoon, roads became treacherous, and by nighttime, they were nearly impassable. A customer offered us his four-wheel drive vehicle to make deliveries. I graciously accepted. I guess I should have closed, but earlier in the day I promised a customer with a very sick child at home her medicine. Unfortunately, it was not a common item and we did not stock it. None of the surrounding stores had it. As I usually did in tight situations like this, I called my wholesaler. They had it! "Could you add it to my order?" "Sure" came the answer back.

That was before the snow began. I called my customer to let her know that my order would be delayed. She observed that it *was* so nasty outside, and that, for the time being, her child was resting comfortably. She would wait. If things got worse, and the medicine still didn't arrive, she would have to go to the hospital. As nightfall arrived, the streets were deserted. The only sounds were snowplows. I sent my clerks home early. Since I lived close to the store, I figured I would be able to make it home. So I waited for my wholesaler who was already several hours late. I was quickly giving up hope. As the hours wore on, the snow began to let up. As I was about to call my customer, I heard a familiar knock on my back door. Could it be him?

I opened the door. Standing knee-deep in snow was my wholesaler's driver. He looked at me straight in the eye and said: "I'm sorry, but the roads were pretty bad." I welcomed him in for something hot. He said he had one more delivery to make before heading home and asked to use my phone. He wanted to make sure the store for which he had a delivery was still open. While he was on the phone, I opened the boxes to check my order to make sure the medicine I was waiting for was there. It was. I called my customer and told her I would get someone to take it over to her. I called my other customer with the four-wheel drive and asked him if he would make a delivery. He said he would be right down. I wished my driver good luck on the trip home and he said "See you tomorrow."

Going the extra mile

Yes, my thoughts continued to wander. . . back to the early days of my retail career. I vividly remember my salesman, Bernie, who was more like a surrogate partner. Bernie, who worked for Bergen Drug Co. for what seemed like a lifetime, is retired now. It was no effort for Bernie to walk into my store at 8:00 p.m. or 9:00 p.m. for his weekly visit to do returns and show me what was new. But his visit was always more than business. It was a friend visiting. Bernie was also always available for a phone call at home. For that matter, he still is.

There are dozens of stories I can relate to you about my drug wholesalers. Suffice it to say, they were always there when I needed them. While I don't profess to know every wholesaler intimately, I have met quite a few since my retailing days. All I can say is, the two stories I've told exemplify the hard- working, efficient, and sometimes taken-for-granted wholesaling industry. Anyone who has ever dealt with a drug wholesaler must agree with me that without them, an important part of our fine drug distribution system would cease to exist.

Pay Less breaking down pharmacy walls

By James Frederick

WILSONVILLE, Ore. — Ask Dave Widen who Pay Less Drug Stores competes against, and he has a ready answer: everyone.

"All the lines between different retailers are getting blurred," said Widen, a veteran pharmacist who serves as vp-pharmacy operations at the 307-store drug chain. "Look at the membership of NACDS, for instance. It's not just a drug store organization anymore."

The blurring of those lines between drug, food and general merchandise retailers—with all of them now fighting for much of the same business—has been a big factor behind Pay Less' recent efforts to renew its emphasis on pharmacy as the basis of its business. Another spur to those efforts has been the enormous growth anticipated for sales of pharmaceuticals as the population ages and health care plans turn more and more to expensive new drug therapies.

"There are more older people, and more drugs being developed," Widen noted.

Both to distinguish itself from its mass-market competitors, and to position itself for the growth of the prescription drug component of the health care dollar, Pay Less is pushing hard to strengthen its pharmacy practice. "We've come back to pharmacy as a core department in our stores," said Widen. "We're a drug store first, with pharmacy at the forefront of our business."

Along those lines, the chain is marketing its pharmacy and core drug store departments more aggressively than it has for at least a decade. Among its newer marketing strategies are a gradual buildup in advertising for the pharmacy and H&BA side of the business, a new store prototype that gives the pharmacy prominent positioning as an anchor department at a front corner of the store, and an enlarged pharmacy management team with the addition of Gordon Barker as vp-pharmacy sales, a new position.

Barker's appointment reflects "the greater emphasis we're placing on pharmacy and the core departments," said Tim McAlear, executive vp and chief operations officer. "The volume was such that we needed someone to assist Dave by working with the store people and concentrating on sales and operations."

Barker, a Pay Less veteran who last served as general manager of store operations, will report directly to Widen. One of his biggest challenges, said Widen, will be to help integrate the pharmacy with Pay Less' traditionally broad mix of store departments.

"We're trying to break down the walls between pharmacy and the rest of the store, to make the pharmacy a key part of the overall store," said Widen. "The challenge is to emphasize pharmacies without eroding appeal of mass merchandise in our stores."

For Pay Less, that is no small task. Its stores range to well over 30,000 square feet—the biggest in chain drug retailing on average—and they bristle with a huge array of general merchandise categories, from fishing gear to hardware. Most stores also include outdoor garden centers, large-scale domestics and notions departments, and even a sizeable sportswear and leisurewear department.

Successfully meshing this kind of assortment with a rejuvenated, repositioned pharmacy has required a new store design, a new approach to the company's image advertising, and a more comprehensive, strategic approach to marketing and merchandising at headquarters. The chain must strike a fine balance between the health and beauty care side of the business and the broad-based, one-stop appeal of its huge stores.

Clarification

Please note that the Par Pharmaceutical spread that appeared in the Sept. 24 issue of *Drug Store News/Inside Pharmacy* was in fact a paid advertisement. Its contents reflected the views of its sponsor and not those of *Drug Store News*. We regret that the usual "advertisment" notification, which should have appeared on the top right hand page of this spread, was inadvertently omitted.

DRUG STORE NEWS
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Drug wholesalers' future bright say industry execs

Continued from page IP1

With a major company like FoxMeyer up for sale, Whitmire thinks the industry is relatively volatile right now and "there are a lot of unknowns."

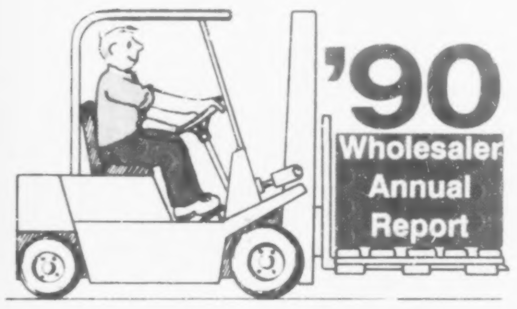
"The industry this year is in an interesting situation," says Bindley Western's chairman Bill Bindley. "I think the industry is very competitive right now, more than last year." At Cardinal Distributors, chairman and ceo Bob Walters says he feels the industry overall will do very well in the coming years but the road will be somewhat tumultuous.

In Chicago, where Humiston-Keeling operates, chairman Burt Olin notes that while everyone this year seems to be doing better than the year before, there are still market niches where some wholesalers are using cost prices to lure new business.

"We thought the competition had bottomed out, but it hasn't," said Olin. "There are situations in the street where companies are doing business at their cost, and that are utterly ridiculous."

FoxMeyer optimistic

At FoxMeyer, even though its parent, National Intergroup, has said it would be willing to talk to anyone interested in buying the Dallas-based wholesaler, president Bob King's outlook is straightforwardly positive.



The nation's top 15 highest volume drug wholesalers

Company	Fiscal year ending sales	Drug wholesaling sales, most recent fiscal year (millions)	Est. drug wholesaling projections for next FY (millions)
1. McKesson Drug **San Francisco**	3/31/90	$6.4	$6.9 Est.
2. Bergen Brunswig **Los Angeles**	8/31/90	$4.4	$4.9 Est.
3. FoxMeyer **Dallas**	3/31/90	$2.3	$2.6 Est.
4. Alco Health Services **Valley Forge, Pa.**	9/30/90	$2.3	$2.65 Est.
5. Bindley Western **Indianapolis**	12/31/90	$2.0 Est.	$2.5 Est.
Total 1990 sales top 5: $16.8 Billion **Top five's percentage of total 1990 wholesaler sales:** 59%			
6. Harris Wholesalers **Solon, Ohio**	10/31/90	$1.4	$1.6 Est.
7. Amfac **Folsom, Ca.**	6/30/90	$1.26	$1.6 Est.
8. Cardinal Health **Dublin, Ohio**	3/31/90	$875	$1.100 Est.
9. Durr Fillauer **Montgomery, Ala.**	12/31/90	$600	$726 Est.
10. Humiston-Keeling **Chicago**	4/28/90	$544	$615 Est.
Total sales top 10: $21.48 **Top ten's percentage of total 1990 wholesaler sales:** 75.37%			
11. Moore Medical Corp. **New Britain, Conn.**	12/31/90	$305 Est.	$350 Est.
12. Owens & Minor **Richmond, Va.**	12/31/90	$300 Est.	$340 Est.
13. Ketchum & Company **Clark, N.J.**	9/30/90	$280 Est.	$300 Est.
14. Commons Bros., Inc. **Elmsford, N.Y.**	4/30/90	$270	$300 Est.
15. Drug Guild Distributors **Secaucus, N.J.**	7/31/90	$245	$270 Est.
Total sales top 15: $22.88 **Top fifteen's percentage of total 1990 drug wholesaler sales:** 80.28% **Total estimated 1990 sales for industry: $28.5 billion**			

Source: *Drug Store News*/NWDA Survey

FoxMeyer is in the midst of a very good year, with sales so far running about 20 percent ahead of last year and operating earnings up 40 percent over last year as well. The company ended its last fiscal year with $38 million in earnings, a substantial improvement over the previous year's earnings.

King says the industry is healthy and Fox is "moving forward," making the necessary investments in people, computers and facilities that he feels today's wholesalers have to make to become and remain profitable.

"This industry is always competitive," says Bergen Brunswig's president Phil Engle. "It isn't any less or any more competitive this year than any other. I also don't think you could say this industry is volatile."

Fred Toney, senior vp-sales and merchandising for McKesson Drug, agrees with Engle. He says drug wholesaling "has always been competitive and that this year, it is no more or less so than in other years."

Sophisticated warehouse facilities like the one shown here at Fox Meyer contribute to drug wholesalers' overall efficiency and gross margins.

The bigger companies have been able to improve profitability and efficiency through aggressive consolidation and modernization. This, as industry execs like Bill Bindley point out, has inevitably put some of the smaller companies at a competitive disadvantage.

"The whole continuing process of consolidation has been a mixed bag," comments Bindley. "It's been great for the bigger companies like McKesson and Bergen who have been able to generate enormous savings and economies of scale. But their success has hurt smaller companies because it's made it much harder for them to compete.

Yet, for those companies that are still in the process of enlarging and modernizing their facilities, dramatic increases in productivity are still attainable.

A good example is Humiston-Keeling. Since the rollout of its new modernization program seven months ago, the wholesaler's productivity increased an impressive 20 percent.

When wholesalers were asked to look into the future, most were staunchly optimistic.

"I spend a lot of time talking to financial people and potential investors," Bill Bindley says, "and I always tell them that if you don't want to buy our stock, then buy our competitors' because this industry has a strong future ahead of it."

"We've had a good year," says Humiston's Olin, "and we think there's enough business out there for all of us to be profitable. The important thing is the independent. I think they are going to continue to do well, and if they prosper, we will too."

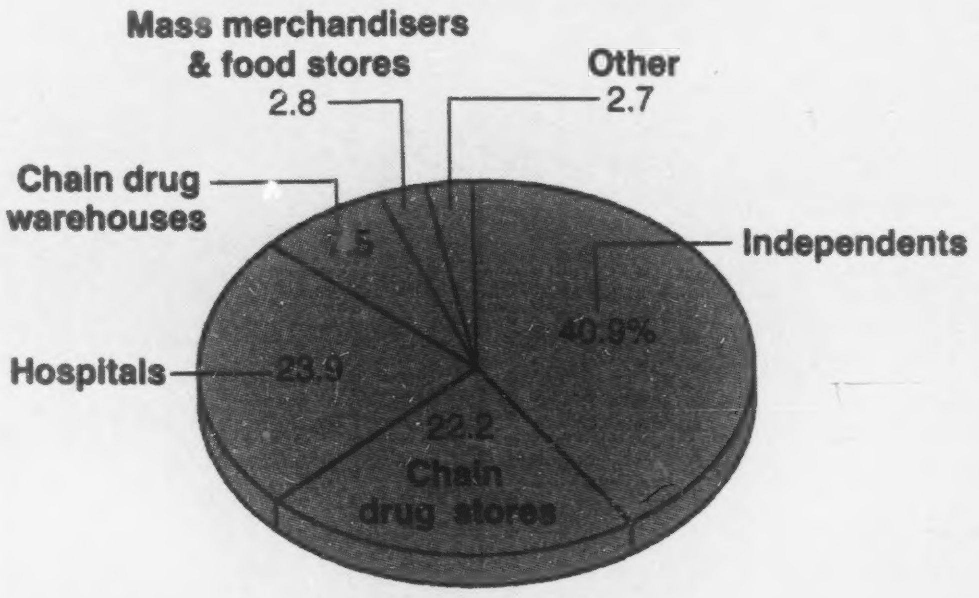
"The future is very promising," says McKesson's Fred Toney. "Pharmaceutical sales have been growing at a 13 percent compounded rate since the mid-80s, and they're projected to reach $75 billion by 1990. New drugs alone should generate over $10 billion in sales over the next ten years, so there is a lot to look forward to."

Consolidation, strong marketing boost McK's success

SAN FRANCISCO — This past fiscal year, McKesson Drug drove sales 12 percent higher to $6.4 billion, but operating profits rose just three percent and operating margin fell to 2.7 percent of sales from three percent, where it had held steady since 1987.

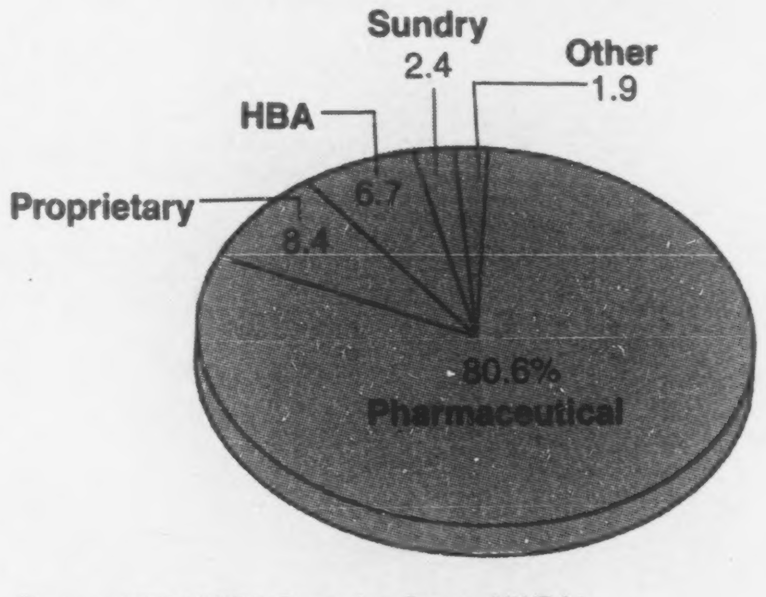
Despite the flattening results, McKesson again concentrated on consolidating its strengths as the industry leader.

1989 Drug wholesalers customer sales mix
(% of drug wholesale gross sales)



Source: NWDA 1989 Operating Survey

1989 Drug wholesalers: Product sales mix
(% of net drug wholesaling sales)



Source: 1989 NWDA Operating Survey NWDA/
Drug Store News Wholesaler 1990 Survey

Drug wholesalers: Product sales mix
(% of net drug wholesaling sales)

Product mix	1986	1987	1988
Pharmaceutical	76.4%	77.8%	77.0%
Proprietary	12.5	12.2	11.3
HBA	4.5	4.0	7.0
Sundry	4.3	3.1	2.6
**DME & HHC	1.1	1.1	1.0
Other	1.3	0.9	1.1

**Durable Medical Equipment and Home Health Care
Source: 1989 NWDA Operating Survey

Drug wholesalers customer sales mix
(% of drug wholesale gross sales)

	1986	1987	1988*
Independents	47.7%	45.6%	44.2%
Chain drug stores	23.7	22.8	21.7
Hospitals	20.1	22.2	22.8
Chain drug warehouses	5.1	5.0	6.1
Mass merchandisers & food stores	2.3	2.5	3.4
Clinics, nursing homes, others	1.2	1.9	0.9

*In 1988, 0.9% of total sales went to what NWDA defines as "other" customers. In 1989, this segment, which includes consulting pharmacists, increased to 1.6% of total sales.
Source: NWDA 1989 Operating Survey

In February, for instance, it bought Montreal-based Medis Health, Canada's largest and only nationwide drug distributor. The merger created the first integrated international distribution organization. Joe Polastri, McKesson Drug's president, said the deal is important because "Canada is especially attractive to McKesson. It has one of the highest economic growth rates among all western countries."

In the U.S., McKesson continues to drive sales through aggressive marketing programs. Last year, Wal-Mart selected McKesson as its prime vendor for nearly 1,000 stores with pharmacy departments. That account alone will put $400 million in McKesson's coffers.

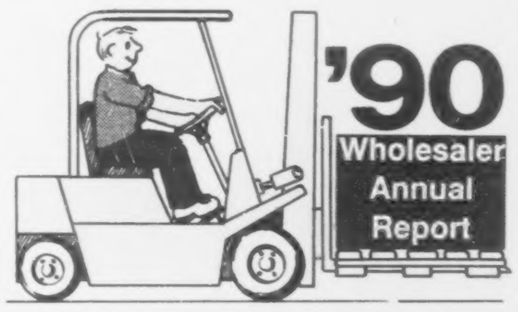
McKesson

Valu Rite grows

According to Fred Toney, senior vp-sales and merchandising, sales are up in all of McKesson's customer segments, including a dramatic increase in Valu-Rite voluntary memberships.

At presstime, Toney said Valu-Rite had 3,254 members and was continuing to grow; that's up from 1,900 in 1986.

Sales of the Valu-Rite private label line also rose over the past year, up 24 percent, and driven in part by new product introductions, an increase in promotional support, and penetration of the line into more member stores.



McKesson also beefed up its ad campaign for Valu-Rite when it debuted its first national cable television ad campaign supplementing existing print and radio ads. "At least two weeks out of every month there are commercials running for Valu-Rite on national cable," says Toney.

This year McKesson will distribute over 50 million Valu-Rite circulars, exposing the progam even more to consumers.

For retailers who choose not to join the Valu Rite program, McKesson offers a promotional support program called "Great Values." This year's circular, which had been printed in black and white, has been upgraded with color ads and enhanced graphics.

Hospital sales up

For hospital customers, McKesson introduced a new major on-line service known as *Econolink*. Hospitals with Econolink have the ability to "dial in" and check McKesson's inventory whenever they want to place an order. McKesson currently has 400 hospitals on Econolink, and expects 500 to 600 to be on-line before year-end. Toney says the same type of program is being designed for retailers.

Hospital sales have been growing so dramatically that McKesson recently created a new position, vp-hospitals and managed health care, to strengthen that department.

To stay in tune with its customers, McKesson sponsors four advisory boards: for hospitals, home health care and durable medical equipment, small chains, and Valu-Rite customers. Using them as a "sounding board," McKesson brings the advisors together to meet twice a year to help improve their services.

"We listen to our customers. We try to find out what they need and then we try to do it for them," says Toney.

McKesson has the same kind of working partnership with its manufacturer suppliers—as manifested by its one-and-a-half year-old program

Continued on page IP20

DiaBeta® TABLETS 1.25, 2.5 & 5 mg
GLYBURIDE HOECHST-ROUSSEL

FOR EFFECTIVE CONTROL OF TYPE II DIABETES

Brief Summary

DIABETA® (glyburide) Tablets

CONTRAINDICATIONS: DIABETA® is contraindicated in patients with: 1. Known hypersensitivity to the drug. 2. Diabetic ketoacidosis, with or without coma. This condition should be treated with insulin.

SPECIAL WARNING ON INCREASED RISK OF CARDIOVASCULAR MORTALITY: The administration of oral hypoglycemic drugs has been reported to be associated with increased cardiovascular mortality as compared to treatment with diet alone or diet plus insulin. This warning is based on the study conducted by the University Group Diabetes Program (UGDP), a long-term prospective clinical trial designed to evaluate the effectiveness of glucose-lowering drugs in preventing or delaying vascular complications in patients with noninsulin-dependent diabetes. The study involved 823 patients who were randomly assigned to one of four treatment groups (*Diabetes* 19[Suppl 2]:747-830, 1970).

UGDP reported that patients treated for five to eight years with diet plus a fixed dose of tolbutamide (1.5 grams per day) had a rate of cardiovascular mortality approximately 2½ times that of patients treated with diet alone. A significant increase in total mortality was not observed, but the use of tolbutamide was discontinued based on the increase in cardiovascular mortality, thus limiting the opportunity for the study to show an increase in overall mortality. Despite controversy regarding the interpretation of these results, the findings of the UGDP study provide an adequate basis for this warning. The patient should be informed of the potential risks and advantages of DIABETA® and of alternative modes of therapy.

Although only one drug in the sulfonylurea class (tolbutamide) was included in this study, it is prudent from a safety standpoint to consider that this warning may apply to other oral hypoglycemic drugs in this class, in view of their close similarities in mode of action and chemical structure.

PRECAUTIONS: General—*Hypoglycemia:* All sulfonylureas are capable of producing severe hypoglycemia. Proper patient selection and dosage and instructions are important to avoid hypoglycemic episodes. Renal or hepatic insufficiency may increase the risk of serious hypoglycemic reactions. Elderly, debilitated, or malnourished patients, and those with adrenal or pituitary insufficiency, are particularly susceptible to the hypoglycemic action of glucose-lowering drugs. Hypoglycemia may be difficult to recognize in the elderly and in people who are taking beta-adrenergic blocking drugs. Hypoglycemia is more likely to occur when caloric intake is deficient, after severe or prolonged exercise, when alcohol is ingested, or when more than one glucose-lowering drug is used. *Loss of Control of Blood Glucose:* In diabetic patients exposed to stress such as fever, trauma, infection, or surgery, a loss of control may occur. It may then be necessary to discontinue DIABETA® and administer insulin. *Information for Patients:* Patients should be informed of the potential risks and advantages of DIABETA® and of alternative modes of therapy. They also should be informed about the importance of adherence to dietary instructions, of a regular exercise program, and of regular testing of urine and/or blood glucose. The risks of hypoglycemia, its symptoms and treatment, and conditions that predispose to its development should be explained to patients and responsible family members. Primary and secondary failure should also be explained. **Laboratory Tests:** Response to DIABETA® Tablets should be monitored by frequent urine glucose tests and periodic blood glucose tests. Measurement of glycosylated hemoglobin levels may be helpful in some patients. **Drug Interactions:** The hypoglycemic action of sulfonylureas may be potentiated by certain drugs including nonsteroidal anti-inflammatory agents and other drugs that are highly protein bound—salicylates, sulfonamides, chloramphenicol, probenecid, coumarins, monoamine oxidase inhibitors, and beta-adrenergic blocking agents. Certain drugs tend to produce hyperglycemia and may lead to loss of control. These drugs include the thiazides and other diuretics, corticosteroids, phenothiazines, thyroid products, estrogens, oral contraceptives, phenytoin, nicotinic acid, sympathomimetics, calcium channel blocking drugs, and isoniazid. A potential interaction between oral miconazole and oral hypoglycemic agents leading to severe hypoglycemia has been reported. **Carcinogenesis, Mutagenesis, and Impairment of Fertility:** Studies in rats at doses up to 300 mg/kg/d for 18 months showed no carcinogenic effects. Glyburide is nonmutagenic when studied in Salmonella microsome test (Ames test) and in the DNA damage/alkaline elution assay. **Pregnancy:** *Teratogenic Effects:* Pregnancy Category B. Reproduction studies in rats and rabbits have revealed no evidence of impaired fertility or harm to the fetus due to glyburide. There are no adequate and well-controlled studies in pregnant women. This drug should be used during pregnancy only if clearly needed. Insulin should be used during pregnancy to maintain blood glucose as close to normal as possible. *Nonteratogenic Effects:* Prolonged severe hypoglycemia (4 to 10 days) has been reported in neonates born to mothers who were receiving a sulfonylurea drug at the time of delivery. DIABETA® should be discontinued at least two weeks before the expected delivery date. **Nursing Mothers:** Some sulfonylurea drugs are known to be excreted in human milk. If DIABETA® is discontinued and if diet alone is inadequate for controlling blood glucose, insulin therapy should be considered. **Pediatric Use:** Safety and effectiveness in children have not been established.

ADVERSE REACTIONS: Hypoglycemia: See Precautions and Overdosage sections. **Gastrointestinal Reactions:** Cholestatic jaundice and hepatitis may occur rarely; DIABETA® Tablets should be discontinued if this occurs. Gastrointestinal disturbances, eg, nausea, epigastric fullness, and heartburn, are the most common reactions, having occurred in 1.8% of treated patients during clinical trials. They tend to be dose-related and may disappear when dosage is reduced. Liver function abnormalities, including isolated transaminase elevations, have been reported. **Dermatologic Reactions:** Allergic skin reactions, eg, pruritis, erythema, urticaria, and morbilliform or maculopapular eruptions, occur in 1.5% of treated patients. These may be transient and may disappear despite continued use of DIABETA®; if skin reactions persist, the drug should be discontinued. Porphyria cutanea tarda and photosensitivity reactions have been reported with sulfonylureas. **Hematologic Reactions:** Leukopenia, agranulocytosis, thrombocytopenia, hemolytic anemia, aplastic anemia, and pancytopenia have been reported with sulfonylureas. **Metabolic Reactions:** Hepatic porphyria and disulfiram-like reactions have been reported with sulfonylureas; however, hepatic porphyria has not been reported with DIABETA® and disulfiram-like reactions have been reported very rarely. Cases of hyponatremia have been reported with glyburide and all other sulfonylureas, most often in patients who are on other medications or have medical conditions known to cause hyponatremia or increase release of antidiuretic hormone. The syndrome of inappropriate antidiuretic hormone (SIADH) secretion has been reported with certain other sulfonylureas, and it has been suggested that these sulfonylureas may augment the peripheral (antidiuretic) action of ADH and/or increase release of ADH.

OVERDOSAGE: Overdosage of sulfonylureas, including DIABETA® Tablets, can produce hypoglycemia. If hypoglycemic coma is diagnosed or suspected, the patient should be given a rapid intravenous injection of concentrated (50%) glucose solution. This should be followed by a continuous infusion of a more dilute (10%) glucose solution at a rate which will maintain the blood glucose at a level above 100 mg/dL. Patients should be closely monitored for a minimum of 24 to 48 hours, since hypoglycemia may recur after apparent clinical recovery.

Q69235-1288

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Circle **#010** on Reader Service Card

Bergen cuts expenses, drives sales with new marketing

'90
Wholesaler
Annual
Report

ORANGE, Calif. — Bergen Brunswig is building its performance with a two-pronged emphasis: lowering operating expenses and driving sales through new marketing programs.

"It's getting harder to reduce operating expenses because we've done so much already," said president Phil Engle. "but this year we were able to drop it a few more ticks."

Increased sales to $4.4 billion *(see financial story IP23)*, he said, have come from earlier investments in facilities automation, consolidation and upgrades, as well as a focus on service.

Engle said the company has been in a "sweet cash position lately. We were heavy with cash. We weren't borrowing, so we put our money into our inventories. We also did more forward buying which helped our gross margin."

The heavier investment in inventory, Engle said, resulted in a higher service level; its in-stock position of 96.5 to 97 percent rose to the 97.5 to 98 percent range. Being in a better position with in-stocks reduced Bergen's percent of lost sales and generated higher overall volume.

Marketing programs

Bergen introduced some new marketing programs this past year. For hospitals, it introduced *Prime Line*, an online order entry system that makes it possible for hospitals to access Bergen's inventory via computer.

"[Hospitals] can place orders, make substitutions, check our service levels and, in effect, it gives them a better tool to manage their inventories. [Hospitals] can see when an item is off contract and decide for themselves if they really want to buy that item now or wait until it's back on contract," said Engle.

The program broke in December. Bergen currently has 180 hospitals on line and over 300 exploring it as a possible program.

For its retail customers, Bergen improved its space management program and its Good Neighbor Pharmacy (GNP) voluntary program with circulars and more aggressive advertising. GNP currently has approximately 905 members, up about 150 members since last year.

The company is working also on developing a retailer version of its Prime Line inventory ordering program, which Engle estimates will be ready in about a year.

Engle says it has a new aggressive couponing program that is working well. "The stores are achieving the goals

Continued on page IP23

Engle said the company has been in a "sweet cash position lately. We were heavy with cash. We weren't borrowing, so we put our money into our inventories. We also did more forward buying which helped our gross margin."

Bergen Brunswig Corporation

Easy to carry & use lipstick form.
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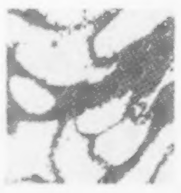
Hoechst-Roussel and the Diabetes Research and Education Foundation:
HELPING A KENTUCKY PHARMACIST HELP DIABETICS

"I believe that the pharmacist can and should play a larger role in getting diabetic patients to take better care of themselves."
Condit F. Steil, PharmD



DREF grants make a difference
Diabetics in Kentucky have Condit Steil to thank for making the pharmacy a more understanding and informative place. In 1987, he put together an extensive educational program designed to teach pharmacists about diabetes, the needs of diabetic patients, and most important, how to improve patient adherence to a diabetes care regimen.

Funds for Condit Steil's work, as well as for other creative research and education initiatives in diabetes, are provided by the Diabetes Research and Education Foundation. Since its creation in 1984, the Foundation has disbursed over $4.3 million to fund 255 projects. Foundation funds are derived solely from a percentage of revenues from DIABETA® (glyburide) and TRENTAL® (pentoxifylline).

DIABETES RESEARCH & EDUCATION FOUNDATION

Hoechst-Roussel and DREF: Helping your patients
For more information about Condit Steil's work and other DREF-supported activities that can help patients in your pharmacy, see your Hoechst-Roussel representative or write: Herbert C. Rosenkilde, MD, Executive Director, Diabetes Research and Education Foundation, P.O. Box 6168, Bridgewater, NJ 08807-9998.

Q69235-1288

Circle #10 on Reader Service Card

A leaner, stronger Alco proves buyouts can be healthy

VALLEY FORGE, Pa. — Alco Health is proving that leveraged buyouts can be healthy.

The fourth largest wholesaler, at $2.6 billion sales, has reached a "reasonable, realistic size," and trimmed its costs after a marathon round of distribution center consolidations. Alco Health undertook 10 warehouse consolidations and three divestitures in the past 21 months, said Don Steinbacher. Steinbacher, who has been vp-administration and treasurer, was named this month as northeast region vice president.

In the process, the work force was slimmed 20 percent to 2,300.

"We don't think we've lost any appreciable market share," Steinbacher said. A year-and-a-half into a management LBO, Alco Health now has 19 locations including one exclusively for H&BA and one for its Rita Ann cosmetics inventory, serving 30 states in the East and Midwest.

Steinbacher said Alco is meeting its interest payment and loan obligations with cash to spare as forecast, after the $500 million buyout.

The changes have translated into improved service for customers, the result of larger DCs. Although some markets lost DCs, the lead times for deliveries have been unaffected since customer orders are picked and delivered at night.

Sales are currently about 40 percent to independents, 20 percent to chains and 30 percent to institutions. Alco would like to grow each segment, Steinbacher said.

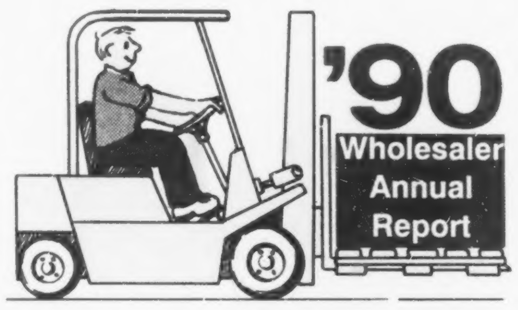
A strong point has been Alco's Family Independent Pharmacy (FIP) voluntary program, which numbers 1,174 members. FIP expects the annual compounded sales growth of 16 to 20 percent since 1985 to continue.

Among 37 programs and services offered the independent, FIP launched in July an IV Care program which helps accounts provide training and IV Care support.

Drug wholesalers: Expense and profit trends

	1986	1987	1988	1989
Gross profit*	8.19%	7.60%	7.34%	7.30%
Operating expenses	5.98	5.28	4.99	4.85
Operating profit margin*	2.21	2.31	2.34	2.45

*Fifo results
Source: NWDA 1989 Operating Survey



ALCO HEALTH SERVICES NORTH/EAST

Consolidation spells success for McKesson

Continued from page IP18

called "Super KPA," which stands for Key Performance Areas.

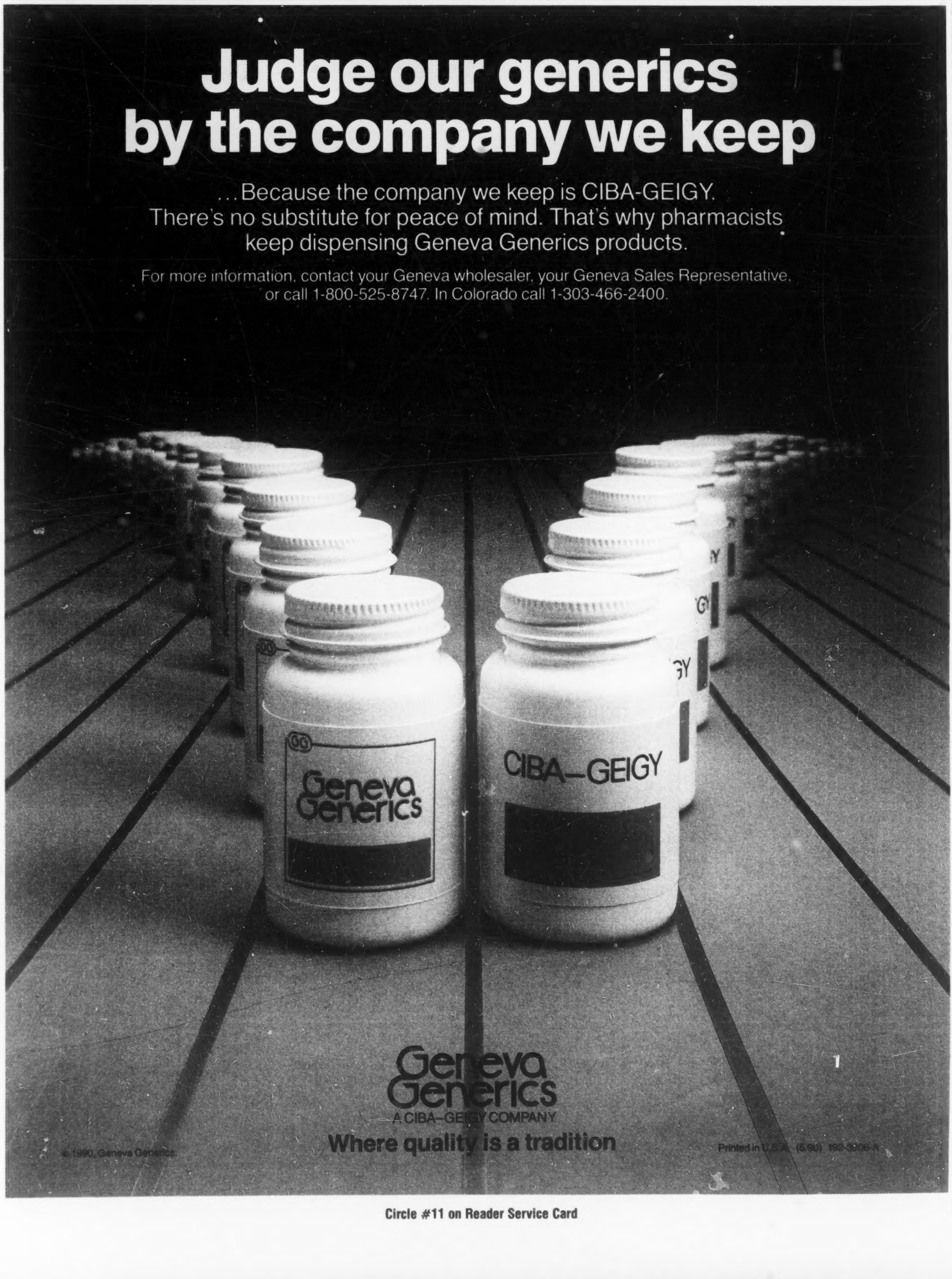
"When a manufacturer wants or needs national distribution on a product, we'll place an order for that item on deal and get almost instant distribution," says Toney. "So when they're ready to start their advertising or a coupon drop, the item they're supporting will be available in the store."

McKesson offers a similar program to pharmaceutical manufacturers, it is called the Sav-Rx program.

Toney says programs are designed to assure that McKesson's retail customers get a much higher percent distribution of new products than would normally be the case for an average independent.

They also have service merchandise distribution facilities in several states: California, Massachusetts and Arkansas, that can distribute general merchandise and sundry products to select geographic markets. Through these facilities, McKesson customers are able to order a wide assortment of front-end merchandise that range from light bulbs to kitchen gadgets.

Customers can order fragrances from McKesson's fragrance division by dialing a toll-free number. Toney says these are all programs designed to make McKesson a cost effective "one-stop supplier."


Judge our generics by the company we keep

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Circle #11 on Reader Service Card

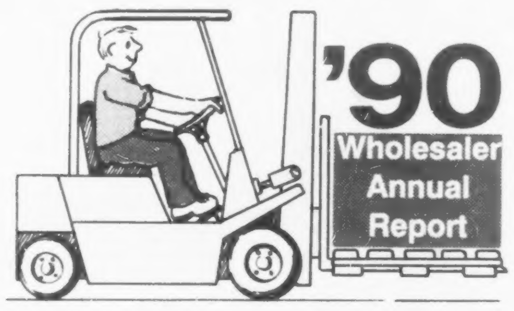
FoxMeyer forges ahead building sales and earnings

DALLAS — A bitter proxy fight earlier this year put FoxMeyer on the auction block, but since then, the company has been making steady progress in building sales and earnings.

No aggressive suitor has come forward to pursue a merger, and as FoxMeyer continues to invest in ways to improve its overall performance, it's possible that parent National Intergroup may decide it doesn't really want to consummate such a sale.

FoxMeyer ended its latest fiscal year with sales of $2.4 billion, up 21 percent over the prior year and with an 81 percent improvement in operating income.

Two of its current customers, Phar-Mor and K mart have been dramatically expanding, and as a result of their own growth, FoxMeyer's pharmaceutical sales to these customers has escalated.



Adding to sales increases is FoxMeyer's expansion into doing business with food chains like Giant Eagle. It has also been able to capitalize on stores being divested by drug chains like Eckerd and Revco.

FoxMeyer is attempting to expand its product mix this year by testing a new front-end program with a general merchandise supplier who can service two facilities in its northern division: La Cross, Wisconsin and Cincinnati.

"We've tried carrying general merchandise products in our own warehouses and it doesn't work," said president Bob King. "But through a partnership with a GM distributor, we should be able to service most of our retail customers with just about anything we need."

FoxMeyer

King says that FoxMeyer has also set aside a "substantial budget" to invest in computer technology and facility upgrades for the future.

Its Health Mart franchise program added over 100 customers in the past year and now stands at approximately 650 members.

Last year FoxMeyer launched a *Come Grow With Us* incentive program and attracted about 500 new retail customers.

Its hospital business also continues to grow in double digit rates, but is now its second strongest growth segment after chains.

FoxMeyer launched a program to focus on servicing suppliers of nursing homes, which King says has doubled FoxMeyer's sales to this customer base.

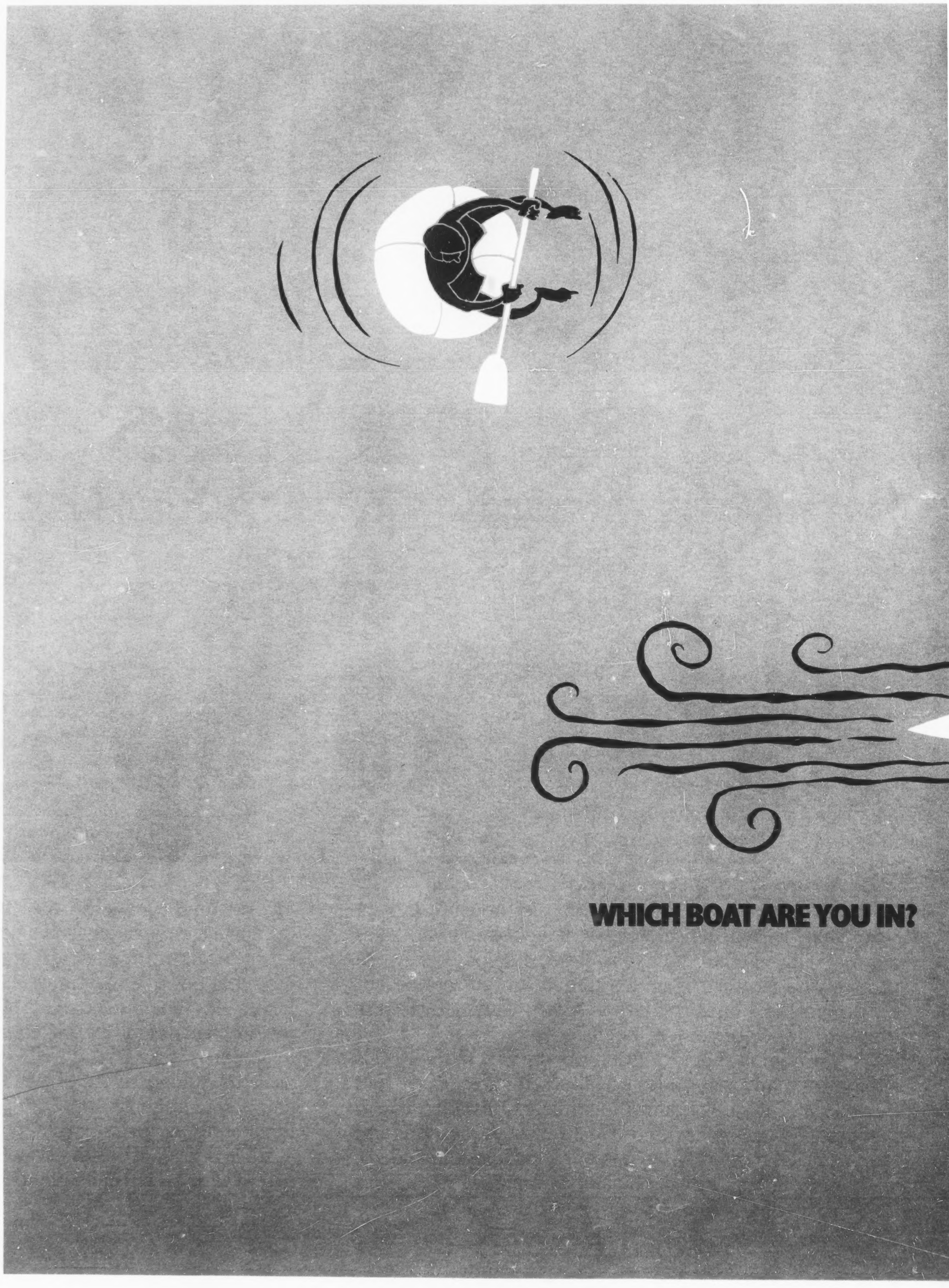
The company will soon be testing a pharmaceutical repackaging program similar to those developed by Cardinal and Alco.

FoxMeyer is aggressively seeking to reduce the cost of doing business by modernizing facilities and consolidating smaller volume houses into one bigger facility. It is hoped that an investment in computer programs will improve asset management, increase turns and identify slower turning SKUs.

Profile of an average drug wholesaler

Average SKUs stocked per facility	28,000
Average annual return on investment	15.34%
Average gross margins	7.82%

Source: Drug Store News/NWDA 1990 Wholesaler Survey


WHICH BOAT ARE YOU IN?

Bergen cuts expenses, drives sale

Continued from page IP19

they have set."

Pharmaceutical sales continue to be the strongest growth area for Bergen. Engle says the growth in pharmaceutical sales is being driven by the number of high ticket prescription products which Bergen stocks for hospital clients.

Bergen is also trying to drive sales of its front-end products. This segment now accounts for about 12 percent of Bergen's total sales, and Engle says he would like to see it reach 15 percent in the next few years.

It has been able to expand its mix by developing an "alliance with specialty suppliers." They call this program *Advantage Plus*, and through it, they are able to become a one-source supplier for their retail customers.

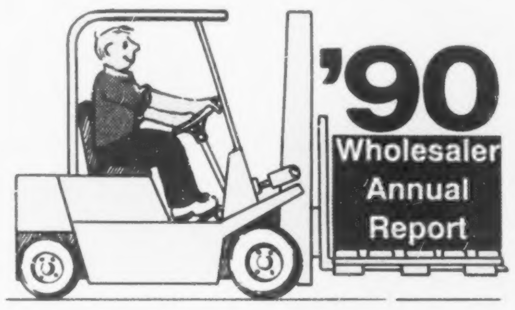
Under the program, customers order front-end merchandise like fragrances, cosmetics, small appliances, stationery and hosiery and Bergen forwards the order to one of its specialty suppliers.

This program helped Bergen to generate what Engle says is "much stronger growth than anticipated" in their front-end business this year.

Hospitals are still Bergen's fastest growing customer segment, but Engle says all segments of their business, even independents for the first time in years, are up into double digits this year.

Bergen is doing more business with warehousing chains, which Engle says is partly due to Bergen's "aggressively" seeking out this business and to the fact that chains want back-up suppliers for pharmaceuticals.

While Bergen didn't dramatically consolidate its facilities last year, this year it plans to open a major new super automated facility in Corona, Calif., which will consolidate three facilities: Anaheim, Buena Park and San Bernardino. Like Bergen's Valencia, Ca. warehouse, Corona will be fully automated with machines doing single picks on fast-moving pharmaceuticals.



Another three or four facilities are semi-automated, but Engle says the sales volume of each facility determines the amount of automation it should have. "We tailor the degree of automation to the volume of business we anticipate doing," he says.

Bergen has no plans to open any more facilities in 1992, but Engle says the wholesaler will be looking for acquisition opportunities.

This year, Bergen will also open a Kansas City facility, which will service customers in this region that were being serviced from Bergen's Tulsa, Oklahoma facility.

At this point, Engle estimates that Bergen is almost national, able now to service approximately 85 percent of the U.S. population.

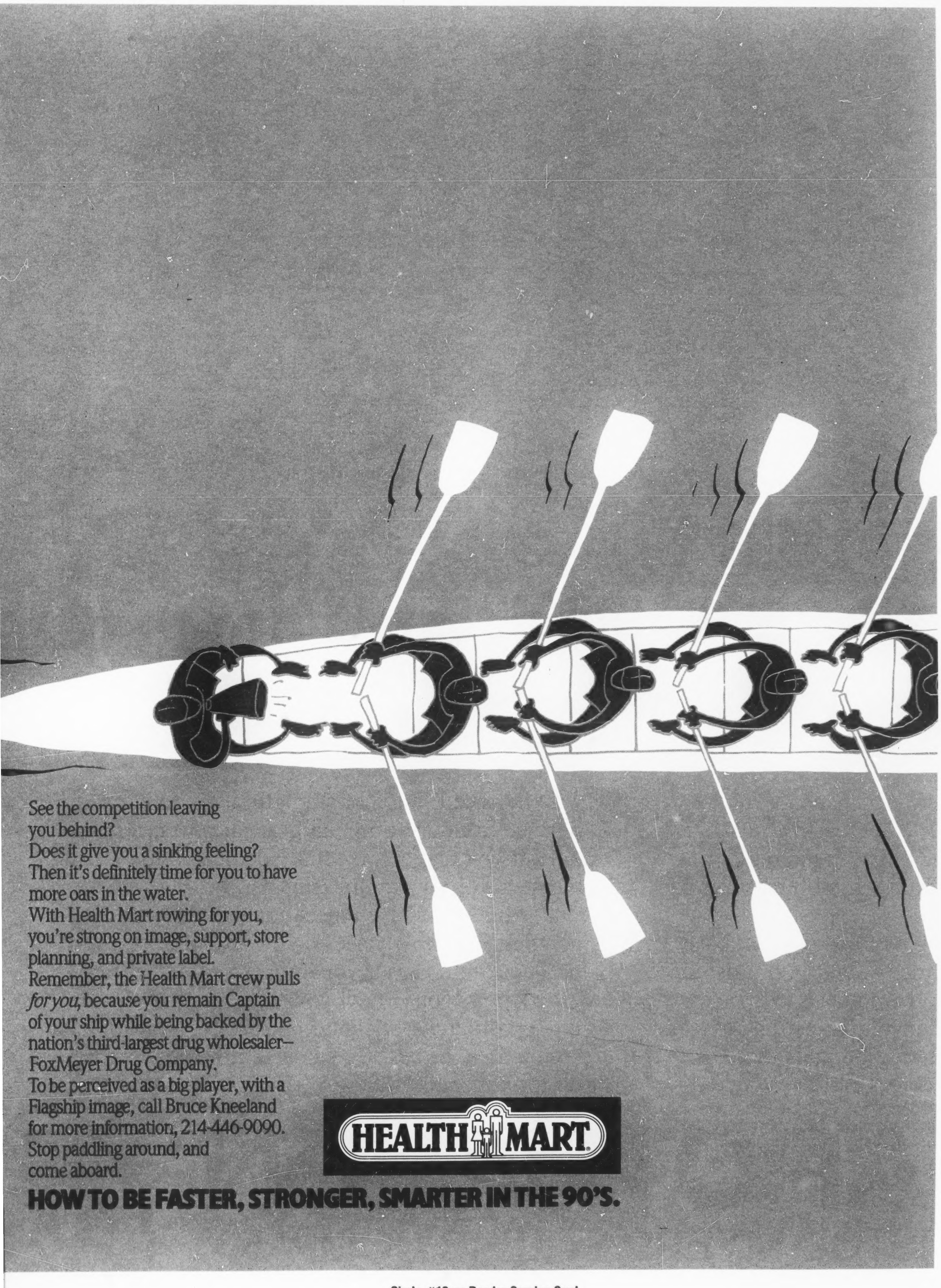
Bergen's net earnings, sales up in FY '90

ORANGE, Calif. — Bergen Brunswig Corp.'s net earnings gained 39 percent and net sales were up 13 percent for the fiscal year ended Aug. 31.

For fiscal 1990, net earnings were $66.1 million, versus $47.6 million for fiscal 1989, on net sales and other revenues of $4.44 billion, compared with $3.92 billion the previous year. The 1990 results include a $3.5 million extraordinary gain from early debt repayment equal to 9 cents per fully diluted share.

For the fourth quarter, net sales were $1.12 billion, up 13 percent from the previous year's $998 million, and net earnings were $14.5 million, compared with $10.7 million in the 1989 period, a 35 percent gain.

Robert E. Martini, president and ceo, commented, "Bergen Brunswig Drug Co. continued the strong sales growth performance, posting a 15.6 percent gain in the fourth quarter and finishing the fiscal year with a gain of 15.3 percent."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Then it's definitely time for you to have more oars in the water.
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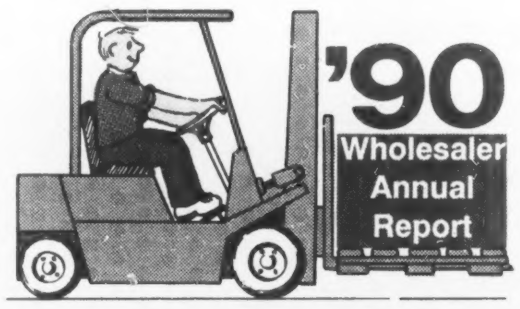
HOW TO BE FASTER, STRONGER, SMARTER IN THE 90'S.

Circle #13 on Reader Service Card

Bindley Western's strategic plan stays on schedule



INDIANAPOLIS — Bindley Western's strategic plan is to become a full-line, full-service warehouse, and this year it is very close to completing that plan.

The company has broadened its customer base way beyond its traditional warehouse chain customers by creating what chairman Bill Bindley calls a "direct store delivery" (DSD) program that encompasses a broad variety of customers from independents, chains, to hospitals and nursing homes.

"We made the decision to create the DSD program because it became too difficult to create and bring in consistent earnings when we were totally dependent on chains," says Bindley. "It got so competitive our gross margin deteriorated."

At this point, Bindley is spending $13 million on capital improvements for its facilities, including computers and new product handling equipment. "The bottom line," says Bindley, "has been very positively affected."

For Bindley's first six months, earnings increased 76 percent over the prior six months. For the second quarter ended June 30, earnings were up 73 percent and sales rose 29 percent.

According to Bindley, the wholesaler has been trying to cut interest expenses through "a better job of buying." General and administrative

Continued on page IP29

Bindley
Western

200mg DANAZOL
Bioequivalent to DANOCRINE®

BRIEF SUMMARY

INDICATIONS AND USAGE

Endometriosis. Danazol is indicated for the treatment of endometriosis amenable to hormonal management.

Fibrocystic Breast Disease. Most cases of symptomatic fibrocystic breast disease may be treated by simple measures (eg. padded brassieres and analgesics).

In infrequent patients, symptoms of pain and tenderness may be severe enough to warrant treatment by suppression of ovarian function. Danazol is usually effective in decreasing nodularity, pain, and tenderness. It should be stressed to the patient that this treatment is not innocuous in that it involves considerable alterations of hormone levels and that recurrence of symptoms is very common after cessation of therapy.

Hereditary Angioedema. Danazol is indicated for the prevention of attacks of angioedema of all types (cutaneous, abdominal, laryngeal) in males and females.

CONTRAINDICATIONS

Danazol should not be administered to patients with:

1. Undiagnosed abnormal genital bleeding
2. Markedly impaired hepatic, renal, or cardiac function
3. Pregnancy
4. Breast feeding

WARNINGS

Safe use of the drug in pregnancy has not be established clinically. Therefore, a nonhormonal method of contraception should be recommended. If a patient becomes pregnant during treatment, administration of the drug should be discontinued. Continuing treatment may result in an androgenic effect on the fetus, which to date has been limited to clitoral hypertrophy and labial fusion of the external genitalia in the female fetus. If the patient becomes pregnant while taking danazol, she should be apprised of the potential risk to the fetus.

Before initiating therapy of fibrocystic breast disease with danazol, carcinoma of the breast should be excluded. However, nodularity, pain, tenderness due to fibrocystic breast disease may prevent recognition of underlying carcinoma before treatment is begun. Therefore, if any nodule persists or enlarges during treatment, carcinoma should be considered and ruled out.

Long-term experience with danazol is limited. Long-term therapy with other steroids alkylated at the 17 position has been associated with serious toxicity (cholestatic jaundice, peliosis hepatis). The physician therefore should be alert to the possibility that similar toxicity may develop after long-term therapy with danazol. Attempts should be made to determine the lowest dose that will provide adequate protection. If the drug was begun at a time of exacerbation of angioneurotic edema due to trauma, stress or other cause, periodic attempts to decrease or withdraw therapy should be considered.

Patients should be watched closely for signs of virilization. Some androgenic effects may not be reversible even when drug administration is stopped.

PRECAUTIONS

Because danazol may cause some degree of fluid retention, conditions that might be influenced by this factor, such as epilepsy, migraine, or cardiac or renal dysfunction, require careful observation.

Since hepatic dysfunction has been reported in patients treated with danazol, periodic liver function tests should be performed (see **ADVERSE REACTIONS** section).

Check semen for volume, viscosity, sperm count and motility every 3 to 4 months, especially in adolescents.

ADVERSE REACTIONS

The following androgenic effects have occurred in patients receiving danazol: acne, edema, mild hirsutism, decrease in breast size, deepening of the voice, oiliness of the skin or hair, weight gain, and rarely, clitoral hypertrophy, or testicular atrophy.

Also hypoestrogenic manifestations such as flushing, sweating, vaginitis including itching, dryness, burning and vaginal bleeding, nervousness, and emotional lability have been reported.

Hepatic dysfunction, as evidenced by elevated serum enzymes and/or jaundice, has been reported in patients receiving a daily dosage of danazol of 400 mg or more. It is recommended that patients receiving danazol be monitored for hepatic dysfunction by laboratory tests and clinical observation. Prolongation of prothrombin time in patients stabilized on warfarin has also been reported.

Although the following reactions have also been reported, a causal relationship to the administration of danazol has neither been confirmed nor refuted: allergic: skin rashes and rarely, nasal congestion; CNS effects: dizziness, headache, sleep disorders, fatigue, tremor, and rarely, paresthesia in extremities, visual disturbances, anxiety, depression, changes in appetite, and chills; gastrointestinal: gastroenteritis, and rarely, nausea, vomiting, constipation; musculoskeletal: muscle cramps or spasms, joint lock-up, joint swelling, and pain in back, neck, or legs; genitourinary: rarely, hematuria; other: abnormal glucose tolerance test and increased insulin requirements in diabetic patients, loss of hair, changes in libido, elevation in blood pressure, and rarely, pelvic pain.

Manufactured by:
AMERICAN THERAPEUTICS, INC.
Bohemia, New York 11716

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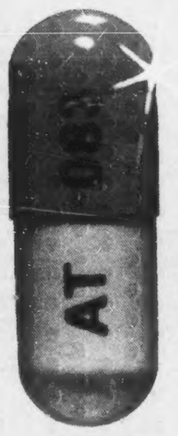

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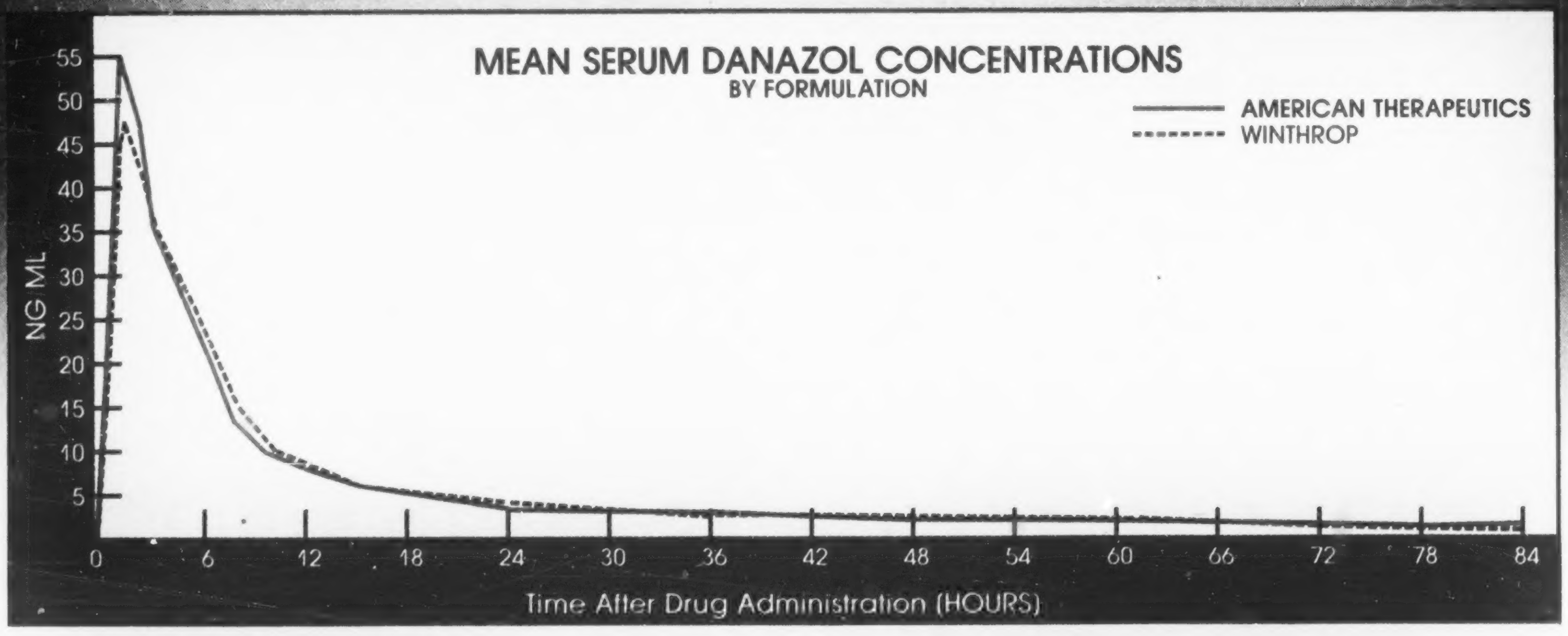
AMERICAN-The Choice is Clear!



	AT 200mg	DANOCRINE® 200mg
AUC 0-84 hrs. (ng. hr/mg)	**422.75**	434.74
Half-life (hrs)	**11.21**	12.88
C max (ng/ml)	**63.41**	56.63
T max (hrs)	**1.97**	2.21

The bioavailability data demonstrates that Danazol Capsules USP 200mg manufactured by American Therapeutics, Inc. and the Danocrine® Capsules 200mg manufactured by Winthrop Breon/Sterling are bioequivalent.

See next page for summary of prescribing information for DANAZOL CAPSULES, USP 200mg

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Harris expanding Rx business, home health care line

SOLON, Ohio — Harris Wholesale wants to build its pharmaceutical business into hospitals, nursing homes and clinics and supply its retail drug store accounts with broader, lower cost selections of home health care and medical/surgical products.

The two-pronged strategy became possible after the sixth largest volume wholesaler was purchased by R.A.B. Holdings in January, 1989. Harris envisions developing "synergies" between the drug business and General Medical Corp., an R.A.B.-owned company, which is the country's largest med/surg supplier to nursing homes and clinics and the second largest supplier of the equipment to hospitals.

Harris's institutional business will gain a larger share of total sales but the independent retail accounts will remain a critical component, said Don Meyers, the 13-year Harris employee who was named president in September 1989.

"We think the strong independent is viable, and is very important to Harris wholesale," said Meyers.

Institutional sales—at 26 percent of total last year—will be 32 percent of $1.33 billion sales for the year ended Oct. 31. Boosting sales are new hospital pacts, including one with the 12-hospital Yankee Alliance.

Institutional sales should hit 34 percent next year as retail customers account for 52 percent (with the rest to drug and mass merchant chains), Meyers said.

Harris' sales have grown at a compounded rate of 20 percent for the past 10 years. Nearly 20 percent growth is also forecast for this year and 1991, he said.

Although Harris and General Medical operate as separate companies, they are "looking for ways to work together," according to Michael Visnich, who joined Harris from General Medical in Janaury as vp-retail marketing.

Driving sales, membership

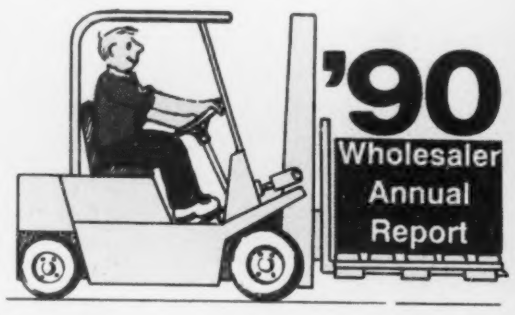
Visnich expects partnership benefits to accrue in helping drive membership and sales in Harris' Health Plus voluntary program, which counts 300 members today.

R.A.B. also is providing capital for growth as evidenced by a distribution center upgrade that will have all DCs upgraded or new by 1992.

Three of five DCs in Harris' northern and southeastern state markets in which Harris operates are remodeled or new, including a new Lakeland, Fla. facility replacing an old one in Miami. Next spring it will open a new 80,000-square-foot facility in Franklin, Mass., closing one in Providence, R.I. In 1992, Harris will open a new 250,000-square-foot Cleveland warehouse.

For its institutional businesses, Harris developed an in-house advanced ordering and inventory control computer system called Optimax.

Two months ago, Harris launched the Professional Pharmacy program for apothecary-style independents to create their own identity and participate in unique programs for smaller-sized stores.



YOCON®
YOHIMBINE HCI

Description: Yohimbine is a 3a-15a-20B-17a-hydroxy Yohimbine-16a-carboxylic acid methyl ester. The alkaloid is found in Rubaceae and related trees. Also in Rauwolfia Serpentina (L) Benth. Yohimbine is an indolalkylamine alkaloid with chemical similarity to reserpine. It is a crystalline powder, odorless. Each compressed tablet contains (1/12 gr.) 5.4 mg of Yohimbine Hydrochloride.

Action: Yohimbine blocks presynaptic alpha-2 adrenergic receptors. Its action on peripheral blood vessels resembles that of reserpine, though it is weaker and of short duration. Yohimbine's peripheral autonomic nervous system effect is to increase parasympathetic (cholinergic) and decrease sympathetic (adrenergic) activity. It is to be noted that in male sexual performance, erection is linked to cholinergic activity and to alpha-2 adrenergic blockade which may theoretically result in increased penile inflow, decreased penile outflow or both.

Yohimbine exerts a stimulating action on the mood and may increase anxiety. Such actions have not been adequately studied or related to dosage although they appear to require high doses of the drug. Yohimbine has a mild anti-diuretic action, probably via stimulation of hypothalmic centers and release of posterior pituitary hormone.

Reportedly, Yohimbine exerts no significant influence on cardiac stimulation and other effects mediated by B-adrenergic receptors, its effect on blood pressure, if any, would be to lower it; however no adequate studies are at hand to quantitate this effect in terms of Yohimbine dosage.

Indications: Yocon® is indicated as a sympathicolytic and mydriatric. It may have activity as an aphrodisiac.

Contraindications: Renal diseases, and patient's sensitive to the drug. In view of the limited and inadequate information at hand, no precise tabulation can be offered of additional contraindications.

Warning: Generally, this drug is not proposed for use in females and certainly must not be used during pregnancy. Neither is this drug proposed for use in pediatric, geriatric or cardio-renal patients with gastric or duodenal ulcer history. Nor should it be used in conjunction with mood-modifying drugs such as antidepressants, or in psychiatric patients in general.

Adverse Reactions: Yohimbine readily penetrates the (CNS) and produces a complex pattern of responses in lower doses than required to produce peripheral a-adrenergic blockade. These include, anti-diuresis, a general picture of central excitation including elevation of blood pressure and heart rate, increased motor activity, irritability and tremor. Sweating, nausea and vomiting are common after parenteral administration of the drug.[1,2] Also dizziness, headache, skin flushing reported when used orally.[1,3]

Dosage and Administration: Experimental dosage reported in treatment of erectile impotence.[1,3,4] 1 tablet (5.4 mg) 3 times a day, to adult males taken orally. Occasional side effects reported with this dosage are nausea, dizziness or nervousness. In the event of side effects dosage to be reduced to ½ tablet 3 times a day, followed by gradual increases to 1 tablet 3 times a day. Reported therapy not more than 10 weeks.[3]

How Supplied: Oral tablets of Yocon® 1/12 gr. 5.4 mg in bottles of 100's NDC 53159-001-01 and 1000's NDC 53159-001-10.

References:
1. A. Morales et al., New England Journal of Medicine: 1221. November 12, 1981.
2. Goodman, Gilman — The Pharmacological basis of Therapeutics 6th ed., p. 176-188. McMillan December Rev. 1/85.
3. Weekly Urological Clinical letter, 27:2, July 4, 1983.
4. A. Morales et al., The Journal of Urology 128: 45-47, 1982.

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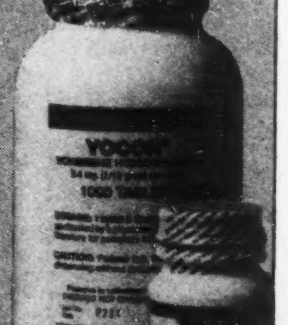

Revitalized franchise plan drives momentum of Owens & Minor

RICHMOND, Va. — Owens & Minor's drug store franchise program, Cardinal, has struck a responsive chord with independents here.

Backed by a strong recruitment drive in the Richmond market and new program features, Cardinal Drug has pushed membership from 33 stores in January to 80 stores in August, according to Hugh Gouldthorpe, vp-general manager, Drug Wholesale Division.

Program changes include a move to automatic distribution of promotional product into the stores, stepped up advertising, improved product costs to retailers, and a new private label line.

Gouldthorpe predicts there will be 100 Cardinal Drug Centers by year-end, after the first marketing phase is complete here. Then Cardinal will begin enlisting franchisees in the wholesaler's three other retail drug markets — Norfolk, Va., Wilson, N.C., and Ft. Lauderdale.

The goal has been "to make it as easy as possible for the customer to do business with us," said Gouldthorpe, a five-year O&M employee and former Squibb Corp. director of sales.

"The independents are the ones who brought us to the dance, and we plan on going home with them," said Gouldthorpe, emphasizing O&M's commitment to the retail business.

Retail wholesaling has been eclipsed at O&M while the nation's 13th largest wholesaler has emphasized medical/surgical distribution. Last year, for example, it bought National Healthcare & Hospital Supply, a major medical/surgical company in Orange, Calif. O&M also sells drugs to hospitals. The Cardinal program, actually 20 years old, has had erratic success, at the same time as O&M's retail customer base has grown to 800.

About $350 million of O&M's $1 billion-plus sales in the year ending December 1990 will be from drug wholesaling, and 38 percent of that will be from retail accounts.

Boosted by the National Healthcare buy, O&M reported sales of $593.3 million for the six months ended June 30, a 43.1 percent increase from the comparable period last year.

"The independents are the ones who brought us to the dance, and we plan on going home with them," said Gouldthorpe, emphasizing O&M's commitment to the retail business.

The revamp in the Cardinal Drug franchise program began in the second half last year, when the retail division hosted meetings of potential and current customers to get a read on their concerns. The meetings will now be held quarterly.

Marketing of the new program began Jan. 1. Key managers are Helen Dawson, manager of Cardinal retail services, Dennis Webb, vp-Richmond distribution center, and merchandise manager Leonard Campbell.

Two new program aspects are a private label line and the move to automatic shipping. The key to private label was enlisting enough business to allow favorable buying. Launched in June, Cardinal private label has 31 items, with eight more soon to be offered. Packaging features a distinctive red cardinal's head on a white and pastel green. To build exposure and sales, the products are also sold to O&M customers who aren't Cardinal members.

Automatic shipping of promotional merchandise will reduce administrative costs for both sides. Stores will no longer have to order 18 times a year. Stores are classed in three sizes based on volume and the product is automatically shipped. Retailers are also gaining more favorable costs for promoted merchandise.

"The customer knows what he can sell. He tells us what he wants. (Then) we never vary the quantity" and can place consistent orders with vendors, Gouldthrope said.

Other changes include:

- An emphasis on servicing the stores and on store programs including identity, planograming and custom pricing.
- extended dating on monthly ad merchandise.
- The Cardinal Health Information Resource Program (CHIRP) providing monthly information to the members, including how to design promotions.
- closer communications, such as with the new O&M Monitor, a newsletter on general health and professional issues.

Bindley strategic plans on schedule

Continued from page IP25

costs as a percent of sales have also been lower, primarily due to increased volume.

So far, with the exception of its Houston facility, which will remain basically a pharmaceutical facility rather than a full-line house, all the Bindley distribution centers have been modernized, enlarged or both.

Compared to 1987, Bindley says the wholesaler has "quadrupled" square footage in the warehouses.

Quadrupled space

Compared to 1987, Bindley says the wholesaler has "quadrupled" square footage in the warehouses with some partly automated.

Bindley is generating about $200 million a year from its full-line DCs compared to $160 million a year ago.

Bindley also has a "super" distribution center "on the drawing board." The chairman said, "we're looking at consolidating two or three facilities into one in 1991."

Bindley described 1989 as good for his company and 1990 as excellent. "We made some management changes and now have a very strong team."

Back in 1986, before Bindley identified DSD customers as the wave of the future, just nine percent of its total business was coming from this segment. Just three years later, 17 percent of its business came from this segment and when 1990 ends, Bindley estimates that about 20 percent of total sales will be generated from DSD customers. "Ultimately, we'd like to get it to 25 percent or 30 percent," according to Bindley.

About a year-and-a-half ago, Bindley created an automatic replenishment software program for pharmaceutical purchases which can be tailored to drug store and hospital customers.

Drug wholesaler industry profitability trends

Indicators	1986	1987	1988	1989
Return on net worth %	9.7%	12.8%	11.34%	14.3%
Return on total assets	4.46	5.55	4.67	5.84
Total asset turnover	3.88	4.11	4.15	4.10
Gross profit margins	8.19	7.60	7.34	7.30
Net profit margin	1.13	1.33	1.13	1.36

Source: NWDA 1989 Operating Survey

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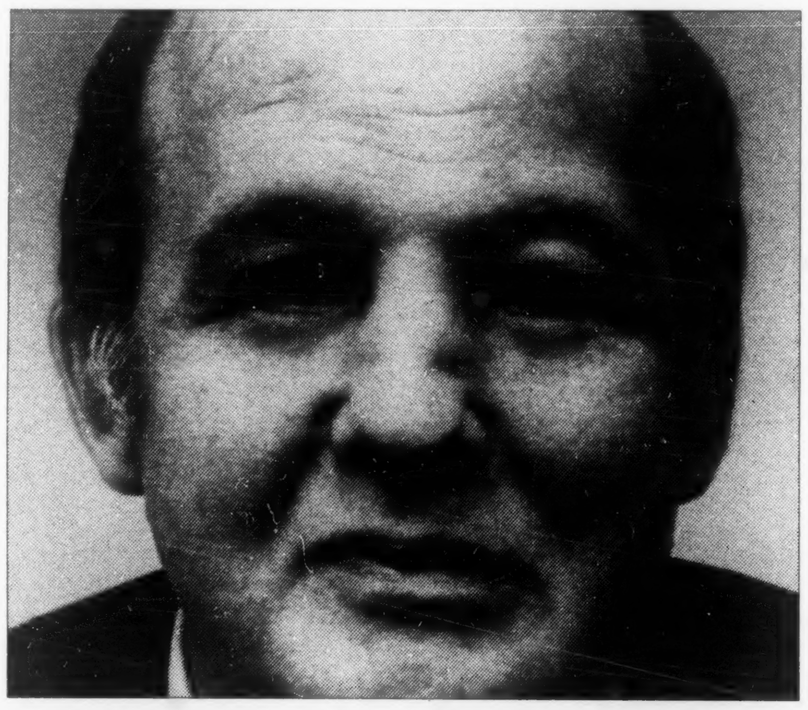
But I won't succeed in my next challenge without your help.



Jim Brady, former White House Press Secretary, Vice Chairman, N.O.D.

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